

NEW ISSUE – BOOK ENTRY ONLY

In the opinion of Bond Counsel, interest on the 2005 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in “TAX MATTERS” herein and interest on the 2005 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2005 Bonds. Under existing law, the 2005 Bonds, interest on the 2005 Bonds and their transfer shall be exempt from taxation by the State of Delaware and its political subdivisions except for estate, inheritance or gift taxes imposed by the State of Delaware. For a more complete discussion, see “TAX MATTERS” herein.

DELAWARE TRANSPORTATION AUTHORITY
\$150,000,000
Transportation System Senior Revenue Bonds, 2005 Series

Dated: December 1, 2005

Due: July 1, as shown below

The Transportation System Senior Revenue Bonds, 2005 Series (the “2005 Bonds”) will be issued in book-entry only form. Beneficial owners of 2005 Bonds will not receive physical delivery of Bond certificates. Principal and interest payments on the 2005 Bonds are to be made to The Depository Trust Company or its nominee as record owner of the 2005 Bonds. Interest will be payable July 1, 2006 and thereafter semi-annually on each January 1 and July 1.

The 2005 Bonds maturing on and after July 1, 2016 are subject to optional redemption prior to maturity, at the option of the Authority, in whole or in part at any time on or after July 1, 2015, in any order of maturity selected by the Authority and within any maturity by lot, at a redemption price equal to 100% of the principal amount of the 2005 Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

<u>Due (July 1)</u>	<u>Principal Amount(\$)</u>	<u>Interest Rate(%)</u>	<u>Price</u>	<u>Due (July 1)</u>	<u>Principal Amount(\$)</u>	<u>Interest Rate(%)</u>	<u>Price</u>
2006	1,000,000	4.00	100.514	2016	2,795,000	5.00	107.727*
2007	1,000,000	4.00	101.223	2017	11,505,000	5.00	106.987*
2008	1,500,000	4.00	101.841	2018	12,765,000	5.00	106.579*
2009	6,990,000	5.00	105.317	2019	8,105,000	4.25	100.388*
2010	5,265,000	5.00	106.211	2020	3,385,000	4.25	99.673
2011	15,365,000	5.00	106.864	2021	4,680,000	4.40	98.995
2012	12,345,000	5.00	107.349	2022	6,025,000	5.00	105.286*
2013	12,220,000	5.00	107.770	2023	6,135,000	5.00	104.886*
2014	7,580,000	5.00	108.031	2024	11,625,000	5.00	104.646*
2015	7,870,000	5.00	108.140	2025	11,845,000	5.00	104.408*

* These 2005 Bonds are priced to the July 1, 2015 call date.

The payment of the principal of and interest on the 2005 Bonds maturing from July 1, 2009 to July 1, 2021, inclusive (the “Insured 2005 Bonds”) when due will be insured by a municipal bond new issue insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the 2005 Bonds.



The 2005 Bonds are limited obligations of the Authority, payable solely from and secured by a pledge and assignment of Pledged Revenue. See “SECURITY FOR THE BONDS.” The 2005 Bonds are secured on a parity with other Transportation System Senior Revenue Bonds which have been issued by the Authority and remain outstanding. The Authority may issue additional bonds which are secured on a parity with all such Senior Bonds. THE 2005 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OF DELAWARE OR OF ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OF DELAWARE OR ANY SUCH POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY.

The 2005 Bonds are offered when, as and if issued and received by the Underwriters, subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware and certain other conditions. A Deputy Attorney General of The State of Delaware will opine as to certain legal matters for the Authority. It is expected that the 2005 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about December 1, 2005.

Dated: November 16, 2005

No dealer, broker, salesman or other person has been authorized by the Delaware Transportation Authority or the underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2005 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or The State of Delaware since the date hereof. This Official Statement is distributed in connection with the sale of securities referred to herein and may not be reproduced or used in whole for any other purpose. In no instance may this Official Statement be reproduced or used in part.

IN CONNECTION WITH THE OFFERING OF THE 2005 Bonds, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE 2005 BONDS SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED. THE ANNUAL FINANCIAL REPORT OF THE AUTHORITY MAY BE OBTAINED BY WRITTEN REQUEST TO THE DEPARTMENT OF TRANSPORTATION, FINANCE, P.O. BOX 778, DOVER, DELAWARE 19903.

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OFFICIAL STATEMENT
Delaware Transportation Authority

\$150,000,000
Transportation System Senior Revenue Bonds, 2005 Series

INTRODUCTION

This Official Statement (which includes the cover page, graphs and the appendices hereto) sets forth information in connection with the issuance of \$150,000,000 aggregate principal amount of Transportation System Senior Revenue Bonds, 2005 Series (the “2005 Bonds”) by the Delaware Transportation Authority (the “Authority”), a body corporate and politic constituting a public instrumentality of The State of Delaware (the “State”). The 2005 Bonds, together with the Authority’s other Transportation System Senior Revenue Bonds which have been or may be issued in the future on a parity with the 2005 Bonds, and remain outstanding from time to time, are herein referred to collectively as the “Senior Bonds”. The Authority also has outstanding certain Transportation System Junior Revenue Bonds which, together with the Authority’s other Transportation System Junior Revenue Bonds which may be issued in the future on a parity with such Junior Bonds, are herein referred to collectively as the “Junior Bonds”. As hereinafter more fully described, the Junior Bonds have a lien on the Pledged Revenue, subordinate to the lien of the Senior Bonds.

The 2005 Bonds are being issued pursuant to the Delaware Transportation Authority Act, Chapter 13, Title 2, Delaware Code, as amended, and the Transportation Trust Fund Act, Chapter 14, Title 2, Delaware Code, as amended (collectively, the “Act”) and a Trust Agreement, dated as of August 1, 1988, by and between the Authority and Wilmington Trust Company, Wilmington, Delaware (“WTC”) (WTC, not in its individual capacity but solely as trustee, the “Trustee”), as supplemented and amended (the Trust Agreement as so supplemented and amended is hereinafter referred to as the “Agreement”).

This Official Statement contains, among other topics, a description of the current Capital Transportation Program and the sources of funding therefor; the security for the 2005 Bonds; the terms of the 2005 Bonds; and the powers, responsibilities, membership and projected operations of the Authority and the Department of Transportation.

Capitalized words and terms used in this Official Statement and not defined herein, if defined in the Agreement, shall have the same meanings herein as are ascribed to such words and terms in the Agreement. See APPENDIX B, “Definitions”. References herein to the Agreement, the Act and the Bonds do not purport to be complete. Copies of the Agreement are available upon request to the Authority.

DELAWARE TRANSPORTATION AUTHORITY

General; Relation to the Department of Transportation

The Authority is a body corporate and politic constituting an instrumentality of the State which has been established and is authorized to create an economical, efficient and unified system of air, water, vehicular, public and specialized transportation in the State. The Act, however, specifically excludes from the jurisdiction of the Authority the New Castle County Airport, the Sussex County Airport, the Port of Wilmington and the Wilmington Parking Authority facilities. Actions by the Authority, including the issuance of debt, are taken by resolution of the Secretary of the Department, the Director of Finance of the Department and the Transportation Trust Fund Administrator. The Department has overall responsibility for coordinating and developing comprehensive, multi-modal transportation planning and policy for the State. The Department is headed by the Secretary of Transportation who is appointed by the Governor, subject to confirmation by the State Senate.

Powers and Responsibilities of the Authority

The Act gives the Authority broad powers in order to effectuate its statutory purposes of creating a unified transportation system for the State. It has the power to make and enforce rules and regulations; and to establish, fix and revise, and charge and collect charges, fares, fees, rates, rentals and tolls for the use of any transportation facility it operates. The Authority is empowered to create subsidiaries to perform its duties and functions. The Authority also has the power to issue bonds, with the approval of the State, and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State and the State Treasurer) (the "Bond Issuing Officers"), to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The Authority also has the power to pledge its revenue to secure its obligations. To assist the Authority in carrying out its responsibilities, the State has created the Transportation Trust Fund, which the Authority administers. See "THE TRANSPORTATION TRUST FUND".

Acting pursuant to its powers, the Authority owns the Delaware Turnpike, an 11.3 mile limited access highway which is part of Interstate 95. The Authority also owns the Route 1 Toll Road which consists of a 41-mile fully controlled access highway extending from a connection with the southern terminus of the new Route 1 freeway just south of Wilmington to points south of Dover on U.S. Routes 13 and 113. See "SOURCES OF REVENUE FOR THE TRUST FUND - Toll Revenue" and "THE TRANSPORTATION TRUST FUND".

In addition, the Authority, through its subsidiary, the Delaware Transit Corporation, owns, operates and subsidizes numerous transportation services and facilities throughout the State including, a public bus system which operates primarily in and around Wilmington, the State's largest city; a public bus system in and around Dover, the State's capital; a public bus system which operates on a seasonal basis in Eastern Sussex County during the summer resort season; statewide specialized transportation services for the elderly and handicapped; passenger rail service between Wilmington and Philadelphia; freight rail and aviation and various statewide and local transit services.

Management of the Department and the Authority

The following persons fill key management positions in the Department and the Authority:

NATHAN HAYWARD III was appointed Delaware's seventh Transportation Secretary by Governor Ruth Ann Minner in January, 2001. He returned to state government after sixteen years of work in the private sector where he held senior positions in finance, strategic planning and international

development. As a Cabinet officer in former Governor Pete duPont's administration (1977-1985), he was Director of the Office of Management, Budget and Planning (1977-1980) and a key architect of the state's major financial restructuring which brought much needed reforms to taxation and spending. From 1981-1985, he was the founding Director of the Delaware Development Office. During this period, the First State adopted landmark legislation making Delaware an attractive situs for the financial services industry. Mr. Hayward also crafted the beginning legislation which lead to the creation of the Transportation Trust Fund. In addition to his Cabinet position, Mr. Hayward serves as Chairman of the Diamond State Port Corporation which is responsible for the maritime Port of Wilmington, and is a long serving member of Delaware's Economic and Financial Advisory Council.

MARTI DOBSON, Director of Technology and Support Services, joined the Department in July 2003. Ms. Dobson has 30 years experience in Information Technology, including employment in both the public and private sector. She has worked in local and state government in the roles of government employee and consultant for the State of Tennessee; Kent County, Delaware; Northampton County, Pennsylvania; the City of Memphis, Tennessee; and the Metropolitan Government of Nashville and Davidson County, Tennessee. Ms. Dobson holds a BS Degree from Carson Newman College in Tennessee.

KATHY S. ENGLISH, Director of Finance, joined the Department in September 2004. Ms. English has 18 years experience with state government. She holds a Masters Degree in Business Administration and an Associates degree in Human Resource Management. Since 1987, Ms. English has held a number of increasingly responsible positions in the Department of Public Safety (Delaware State Police, Office of Highway Safety, Office of the Secretary) and the Department of Corrections. She has earned a number of awards at the state and federal level, has been a certified Trainer/Facilitator for the State Personnel Office since 1991, and was a Delaware Management Fellow in 1999.

STEPHEN KINGSBERRY, Executive Director of the Delaware Transit Corporation (DTC) since July 2005, joined the Department in October 1999 as Director of Development for DTC. Prior to joining DTC, Mr. Kingsberry served as the Director of Administration, Finance and Public Affairs for the North Jersey Transportation Planning Authority and Executive Director of the Hunterdon Area Rural Transit Authority. He also worked for the New Jersey Department of Transportation and New Jersey Transit in various positions. Mr. Kingsberry received a Bachelor of Science degree in Accounting from Medgar Evers College and a Master of Public Administration degree from Seton Hall University.

JAMES R. McNINCH III became Director of Maintenance and Operations in January 2002. Mr. McNinch began his transportation career in the transit arena in 1977 working for the Delaware Authority for Specialized Transportation (DAST). He served as Operations Manager for DAST, and later in the same capacity for the Delaware Administration for Regional Transit (DART). Most recently, he was the Transportation Manager and then Director of Operations for the Delaware Transit Corporation. Mr. McNinch graduated from the University of Delaware in 1977.

JOHN D. NAUMAN, Assistant Director of Finance and Transportation Trust Fund Administrator since October 2001, joined the Department in September 1998 as a Fiscal Management Analyst. He holds a Masters in Business Administration from Wilmington College and a B.S. in Accounting from the University of Delaware. Prior to coming to the Department, he worked for Playtex Apparel, Inc. and MBNA America.

TERRY L. PETRUCCI, Director of Public Relations since August 2001 and Executive Assistant to the Secretary since 1997, has over 27 years of service with the State of Delaware. Prior to coming to the Department, she was Assistant Chief of Fiscal and Policy Analysis in the Office of the Budget. Ms. Petrucci attended Delaware State University.

RALPH A. REEB II, Director of Planning for the Department since December 2000, has served the Department in various capacities over the last 10 years including Assistant Director of Planning, Manager of Intergovernmental Coordinator, and Manager of Marketing and Program Evaluation in the DTC Division. Mr. Reeb came to the Department from the Institute for Public Administration at the University of Delaware where his responsibilities as Senior Management Analyst included planning for local communities. Mr. Reeb has a Bachelors Degree in Economics from the University of Maine and a Masters Degree in Public Administration from the University of Delaware.

MICHAEL D. SHAHAN, Director of the Division of Motor Vehicles since 1992 has over 27 years in Safety and Transportation related service. Prior to the Division of Motor Vehicles, he spent 10 years in the Motor Fuel Tax Division. He is an active member of the American Association of Motor Vehicle Administrators (AAMVA). He was President of Region I in 2000 and served on the International Board of Directors for 5 years, from 1999 until 2004. He holds a B.S. Degree in Business Administration and Psychology from Salisbury University.

CAROLANN D. WICKS, Chief Engineer and Director of Transportation Solutions, graduated from the University of Delaware with a Bachelors Degree in Civil Engineering and a Masters Degree in Public Administration. Ms. Wicks has 20 years experience with the Department, working her way from a Civil Engineer I to the Assistant Chief Engineer. She has won several awards including the Eugene E. Abbott Award for Excellence and the Alfred Johnson Achievement Award, a national award presented by AASHTO.

Role of the State

General

The annual budgets for capital and operating expenditures of the Department (including the Authority) are subject to review and approval by the State. The Act provides that if the Authority's proposed annual operating budget is not approved by July 1 for the year the budget is submitted, the budget as submitted is deemed to have been adopted by the Authority until such time as the annual budget is approved by the State. The Act also provides that any obligations incurred by the Authority after July 1 pursuant to an annual operating budget so adopted by the Authority and prior to its approval by the State are binding, even if the annual operating budget is subsequently revised by the State.

The Act provides that, in approving the annual operating budget of the Authority, the State (1) may not approve an amount for debt service or for debt service reserve purposes which is less than the amount required to be provided pursuant to any resolution or trust indenture of the Authority pursuant to which any bonds are issued and (2) may not approve an amount for operating expenses of the Delaware Turnpike that is less than the amount incurred for the preceding fiscal year of the Authority plus an inflation factor based on the U.S. Consumer Price Index, unless the Authority requests a lesser amount. Although the State has the right to approve the Authority's annual budget, THE GENERAL ASSEMBLY DOES NOT HAVE TO APPROVE THE TOLLS AND OTHER CHARGES THE AUTHORITY IMPOSES FOR USE OF THE DELAWARE TURNPIKE.

Each year the Department revises a six-year Capital Transportation Program for the State's transportation system. The first year of the Capital Transportation Program is reflected in the Department's annual capital budget (which includes DTC's annual capital budget) and is submitted to the State for review and approval. This annual capital budget represents the Department's work program. The Authority cannot undertake, or commit to, capital projects in excess of the amounts specifically authorized by the State. See "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS - Capital Improvements Planning and Budgeting."

The issuance of Authority debt obligations is subject to approval by the State's Bond Issuing Officers and to one of the provisions of the State's statutory debt limitations designed to control total indebtedness of the State and the Authority. The applicable limit (the "15% Test") states that no "tax-supported debt obligation" of the State and no "Transportation Trust Fund debt obligation" of the Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations (plus certain lease obligations) will exceed 15% of the estimated aggregate General Fund revenue from all sources, plus Transportation Trust Fund revenue. Estimated revenue figures are for the fiscal year following the fiscal year in which such obligation is incurred, as determined by the most recent projections made by the Delaware Economic and Financial Advisory Council ("DEFAC"). Such estimated revenue figures are adjusted, if appropriate, by the fiscal impact of subsequently enacted legislation as certified by the Secretary of Finance. After the issuance of the 2005 Bonds, the applicable debt service under the 15% Test will be approximately 7.0% of the applicable revenue in fiscal 2007. The State and the Authority expect that the Bonds projected to be issued in the current Capital Transportation Program can be issued within the limits of the 15% Test.

Delaware Economic and Financial Advisory Council

Delaware Economic and Financial Advisory Council ("DEFAC") is a council comprised currently of 34 government officials and private citizens from the business and financial communities appointed by the Governor. DEFAC was established by Executive Order to provide to the General Assembly General Fund revenue forecasts and Transportation Trust Fund revenue forecasts six times each fiscal year in September, December, March, April, May and June for the current fiscal year and the succeeding two fiscal years. A forecast for the current fiscal year and the succeeding four fiscal years is generated once each year, not later than October 1. A six-year forecast is generated for the Transportation Trust Fund. General Fund and Transportation Trust Fund expenditure forecasts are generated for the current fiscal year in December, March, April, May and June. These forecasts are used in the State budget process to assist State compliance with the State's constitutional limits on spending and statutory debt limitations.

Cash Management Policy Board

The Cash Management Policy Board was created by State law to establish policies for and the terms, conditions and other matters relating to, the investment of all money belonging to the State, including funds in the Transportation Trust Fund (except money in any State pension fund and money held for individuals under the State deferred compensation program). The Board is composed of nine members including the Secretary of Finance, the Secretary of State, the State Treasurer, the Controller General (serving ex officio), and five members from the private sector appointed by the Governor and confirmed by the State Senate.

THE TRANSPORTATION TRUST FUND

General

To facilitate the Authority's development of a unified transportation system in the State and to take advantage of the Authority's broad financing powers, in 1987 the Transportation Trust Fund (the "Trust Fund") was created by law. The Trust Fund was created to consolidate and dedicate transportation related revenue to transportation projects and to provide a flexible mechanism to handle increasing funding requirements over time for all transportation projects in the State. The Trust Fund is the State's financing vehicle for transportation capital expenditures. Funding for such expenditures is derived from Bond proceeds, excess Trust Fund revenue, and cash balances.

In addition, the Trust Fund has assumed the responsibility for (1) the operating expenses of the Authority (including the Delaware Transit Corporation), the Delaware Turnpike and the Route 1 Toll

Road and all of the other divisions of the Department and (2) debt service on general obligation bonds previously sold by the State for transportation projects.

Initial Funding

The Trust Fund was initially funded in fiscal 1988 with existing cash balances of \$22.5 million, a special one time appropriation from the General Fund of \$27.8 million plus the dedication of revenue streams (including investment earnings) then aggregating approximately \$76.2 million per year. Since establishing the Trust Fund, the State has increased fee and tax rates for existing dedicated revenue streams and has assigned to the Trust Fund certain additional sources of transportation related revenue, as well as certain additional transportation related expenses. As a result, revenues to the Trust Fund have increased substantially since fiscal 1988 and totaled \$403.3 million in fiscal 2005.

Summary of Revenue Dedicated to the Trust Fund

The following table and chart summarize the revenue which is currently dedicated to the Trust Fund, and identify that revenue which is pledged to secure the Bonds:

	Fiscal 2005 (dollars in millions)	Percentage of Total Fiscal 2005 Pledged Revenue
Pledged to the Bonds:		
Motor Fuel Taxes	\$113.7 ⁽¹⁾	37.8%
Delaware Turnpike Toll/Concession	60.7	20.2%
Motor Vehicle Document Fees	65.7	21.9%
Motor Vehicle Registration Fees	30.2 ⁽²⁾	10.0%
Miscellaneous Transportation Revenue	24.5 ⁽³⁾	8.1%
Investment Earnings	<u>6.0</u>	<u>2.0%</u>
Total Pledged Revenue	\$300.8	100.0%
Non-Pledged to the Bonds:		
Route 1 Toll Revenue	30.2	
Non-Pledged Miscellaneous Transportation Revenue ⁽⁴⁾	<u>72.3⁽⁴⁾</u>	
Total Non-Pledged Revenue	102.5	
 Total Trust Fund Revenue	 <u>\$403.3</u>	

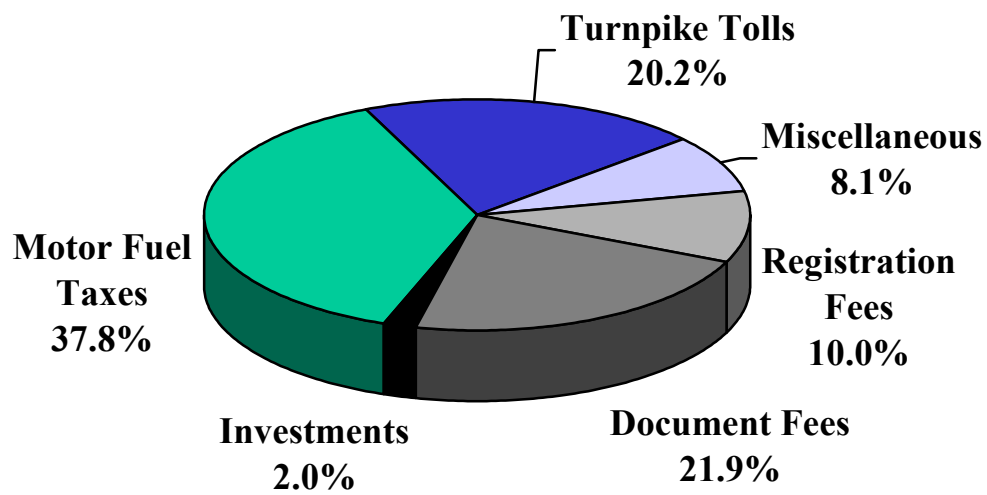
⁽¹⁾ Revenue from motor fuel and special tax receipts. Net of refunds for fuel consumed for non-highway use (\$0.3 million).

⁽²⁾ Net of refunds to other states under the International Registration Plan (\$1.1 million).

⁽³⁾ Net of refunds to other jurisdictions under the International Motor Fuel Tax Agreement (\$1.1 million) and transfers to the General Fund (\$0.3 million). Includes motor carrier fees.

⁽⁴⁾ Includes \$10 million annual transfer from escheat revenues, plus other additional General Fund support including motor vehicle dealer handling fees, motor vehicle dealer annual licensing fees, motor vehicle use taxes on vehicle lease payments, Department review fees for development plans, real estate lease fees, property sales, dollars received from New Jersey for E-Z Pass expense reimbursement, and other miscellaneous revenues. Approximately \$52.1 million of this amount represents one time General Fund funding for the Port of Wilmington, the Green Infrastructure Program and the Glenville Disaster Relief Program.

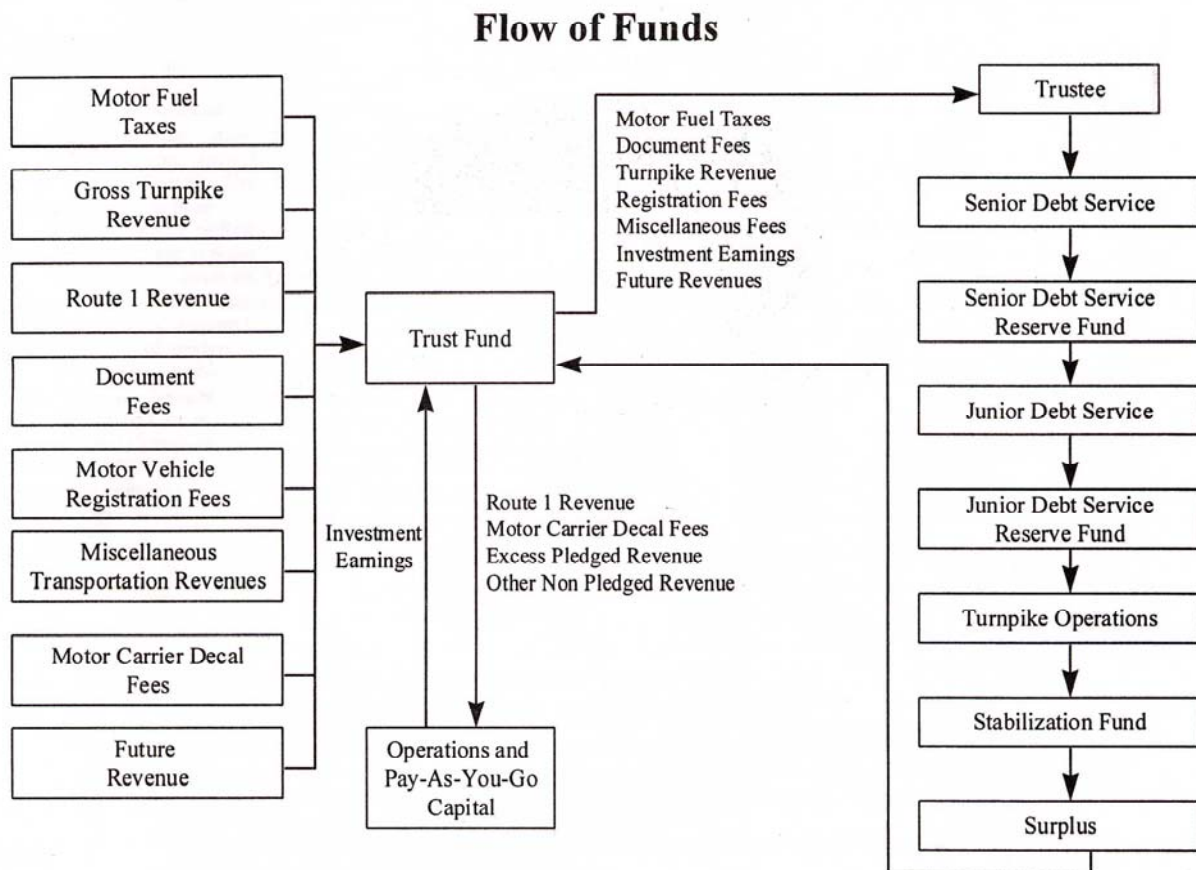
**Sources of Pledged Revenue
Transportation Trust Fund - Fiscal 2005**



Uses of Funds in the Trust Fund

Funds in the Trust Fund are applied to meet the funding requirements of the Agreement including debt service on the Bonds, operating expenses of the Authority and the Department, debt service on existing State general obligation bonds issued for transportation projects and the costs of capital projects of the Authority and the Department.

The flow of funds to the Trust Fund and under the Agreement is summarized in the following diagram:



Sources and Uses of Funds for Fiscal Years 2002, 2003, 2004 and 2005

The following summary of the results of the Sources and Uses of Funds are for fiscal years ended June 30, 2002, 2003, 2004 and 2005. (Audited financial statements for the fiscal years 2004 and 2005 are included in APPENDIX A). The summary reflects the flow of funds required by the Agreement as illustrated in the Flow of Funds diagram above.

Summary Results

Fiscal Years Ended
(dollars in thousands)

<u>Sources of Funds</u>	2002	2003	2004	2005
<u>Existing Pledged Revenue</u>				
Motor Fuel Tax Administration	\$ 111,586	\$ 110,403	\$ 117,225	\$ 117,917
I-95 Tolls & Concessions ⁽¹⁾	64,584	62,637	62,861	60,021
DMV Fees	97,501	99,678	105,663	116,180
Interest Income	<u>5,879</u>	<u>4,592</u>	<u>4,923</u>	<u>5,207</u>
Total Pledged Revenue	279,550	277,310	290,672	299,325
<u>Non-Pledged Revenues</u>				
Route 1 Toll Road	24,223	25,443	27,101	30,563
Continuing General Fund Support	10,000	0	10,000	10,000
One Time General Fund Support/Pass-through	0	0	0	52,100
DE Transit (Farebox, FTA, & Other)	13,511	12,640	13,064	14,100
Port of Wilmington – Refinancing	0	1,065	1,059	0
Other Miscellaneous Revenue	<u>4,712</u>	<u>4,612</u>	<u>31,491</u>	<u>7,597</u>
Total Non-Pledged Revenue	52,446	43,759	82,715	114,360
<u>Total Revenue</u>	331,996	321,069	373,387	413,685
Borrowing	<u>83,890</u>	<u>239,474</u>	<u>0</u>	<u>140,251</u>
TOTAL SOURCES	415,886	560,543	373,387	553,936
 <u>Uses of Funds:</u>				
<u>Debt Service</u>				
DTA Bonds & Notes	74,519	82,989	94,397	98,609
State G.O. Bonds	<u>1,674</u>	<u>1,247</u>	<u>622</u>	<u>546</u>
Debt Service	76,193	84,236	95,019	99,155
<u>Operations</u>				
Department Operations	86,498	106,345	125,415	135,287
Delaware Transit Corp. Operations	<u>58,915</u>	<u>57,543</u>	<u>65,023</u>	<u>70,401</u>
Total Operations	145,413	163,888	190,438	205,688
State Capital Spending	206,489	152,311	224,135	290,718
TOTAL USES	428,095	400,435	509,592	595,561
Additional Senior Bonds Test	4.61	4.04	3.59	3.47
Additional Junior Bonds Test	14.13	13.3	13.97	15.05

⁽¹⁾ Includes toll, concession and other revenue on the Delaware Turnpike.

ESTIMATED SOURCES AND USES OF FUNDS

The following table summarizes the estimated sources and uses of money (exclusive of accrued interest) which the Authority estimates will be available to fund various capital improvements, to pay the General Obligation Bond Anticipation Note, to fund a deposit to the Senior Bonds Debt Service Reserve Account and to pay costs of issuance of the 2005 Bonds.

Sources of Funds

Principal amount of 2005 Bonds.....	\$150,000,000.00
Net Original Issue Premium.....	<u>8,417,842.40</u>
Total	<u>\$158,417,842.40</u>

Uses of Funds

Capital Improvements to Transportation System.....	\$109,884,823.57
Payment of the General Obligation Bond Anticipation Note.....	40,700,000.00
Senior Bond Debt Service Reserve Account	7,300,916.98
Financing expenses	
Underwriting discount (including bond insurance premium).....	282,101.85
Other financing expenses.....	<u>250,000.00</u>
Total	<u>\$158,417,842.40</u>

DESCRIPTION OF THE 2005 BONDS

The 2005 Bonds are to be issued in the total aggregate principal amount of \$150,000,000. The 2005 Bonds are dated and bear interest from December 1, 2005 payable commencing July 1, 2006, and thereafter semi-annually on each January 1 and July 1 at the rate or rates per annum and shall mature, all as set forth on the cover page of this Official Statement.

The 2005 Bonds will be payable as to principal upon presentation and surrender thereof to the Trustee at the principal office of Wilmington Trust Company, Wilmington, Delaware. The 2005 Bonds will be issued as fully registered bonds, and, when issued will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"). Purchases of beneficial interests in the 2005 Bonds will be made in book-entry form (without certificates) in the denomination of \$1,000 or any whole multiple thereof. Under certain limited circumstances described herein, the Authority may determine to forego immobilization of the 2005 Bonds at DTC, or another securities depository, in which case, such beneficial interests are expected to become exchangeable for one or more fully registered bonds of like principal, series and maturity in the denomination of \$5,000 or any whole multiple thereof.

So long as DTC or its nominee, Cede & Co., is the registered owner of the 2005 Bonds, payments of the principal of and interest on the 2005 Bonds are to be made by the Trustee directly to Cede & Co. Distribution of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to owners of beneficial interests in the 2005 Bonds is the responsibility of the DTC participants. See "BOOK-ENTRY ONLY SYSTEM."

Optional Redemption

The 2005 Bonds maturing on or after July 1, 2016 are subject to redemption, at the option of the Authority, in whole or in part at any time on or after July 1, 2015, in any order of maturity selected by the Authority and within any maturity by lot, at a redemption price equal to 100% of the principal amount of the 2005 Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

Notice of Redemption

The Agreement provides that at least 30 days but not more than 60 days before the redemption date of any of the 2005 Bonds, the Trustee shall mail notice of such redemption to all owners of 2005 Bonds or portions thereof to be redeemed at their addresses as they appear on the registration books held by the Trustee. Each such notice will set forth the 2005 Bonds or portions thereof to be redeemed, the date for such redemption, the redemption price to be paid, and if less than all of the 2005 Bonds will be called for redemption, the maturities of the 2005 Bonds to be redeemed and shall otherwise comply with Securities Exchange Act of 1934 Release No. 34-23856, including the requirement that notice be given to all organizations registered with the Securities and Exchange Commission as securities depositories, and to at least two information services of national recognition which disseminate redemption information with respect to tax exempt securities. So long as DTC is the registered owner of the 2005 Bonds, this notice is required to be mailed by the Trustee to DTC only. Any failure of DTC to mail such notice to any participant will not affect the validity of the redemption of the 2005 Bonds.

SECURITY FOR THE BONDS

Pledge and Assignment of Revenue and Funds

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge and assignment of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, certain miscellaneous transportation related fees ("Pledged Miscellaneous Transportation Revenue"),

revenue of the Delaware Turnpike, certain funds held by the Trustee under the Agreement and investment earnings on all funds of the Authority, all as more fully described below (the "Pledged Revenue").

Tax and Fee Revenue

The State has pledged and assigned to the Trust Fund, for the use of the Authority, (i) all motor fuel tax revenue imposed and collected by the State, (ii) all motor vehicle document fees imposed and collected by the State, (iii) all motor vehicle registration fees imposed and collected by the State, (iv) the Pledged Miscellaneous Transportation Revenue plus certain other miscellaneous transportation revenue and reimbursement which have not been pledged as security for the Bonds and (v) \$10,000,000 from escheat revenues for fiscal 2005, which escheat revenues have not been pledged as security for the Bonds. The escheat revenues referred to in item (v) above were transferred to the Trust Fund from fiscal 2000 until fiscal 2002, but were not so transferred in fiscal 2003. Such escheat revenues were again transferred to the Trust Fund in fiscal 2004 and fiscal 2005, and it is expected that they will be transferred to the Trust Fund in fiscal years subsequent to fiscal 2005. In the Agreement the Authority has, in turn, pledged and assigned such motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, investment earnings and the Pledged Miscellaneous Transportation Revenue to secure the Bonds. The Pledged Miscellaneous Transportation Revenue and the Non-Pledged Miscellaneous Transportation Revenue (hereinafter defined) are hereafter collectively referred to as the "Miscellaneous Transportation Revenue".

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2005 Bonds until such Bonds are paid or provision for their payment is made. The State, however, has not authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2005 Bonds. The above covenant does not apply to the Non-Pledged Miscellaneous Transportation Revenue, or other non-pledged revenue.

Delaware Turnpike Revenue

All revenue received by the Authority from the operation of the Delaware Turnpike (including toll and concession revenue) is pledged by the Authority in the Agreement to secure the Bonds.

The Authority covenants in the Agreement that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike and that it will not reduce the tolls on the Delaware Turnpike below the level in effect on the date of issuance of the 2005 Bonds, except as provided in the Agreement. The Authority may increase tolls, reduce tolls and make certain other adjustments or reclassifications of toll rates or establish special toll rates for the Delaware Turnpike as provided in the Agreement.

Bond Proceeds

All proceeds of Bonds which are deposited in the Capital Fund under the Agreement to be applied to pay for improvements to the State's transportation system are pledged by the Authority in the Agreement to secure the Bonds.

Debt Service Fund; Stabilization Fund

Under the Agreement there is established a Debt Service Fund and within that fund there is a separate Principal and Interest Account, and Redemption Account, for the Senior Bonds and the Junior Bonds. All funds held by the Trustee in such Senior Bonds accounts are pledged to secure only the Senior Bonds, and all funds held by the Trustee in such Junior Bonds accounts are pledged to secure only the Junior

Bonds, all as hereinafter more fully described. See “Flow of Funds” and APPENDIX B, “Flow of Funds” and “Events of Default and Remedies; Respective Rights of Senior and Junior Bondholders.” All funds held by the Trustee in the Debt Service Stabilization Fund (the “Stabilization Fund”) are also pledged to secure the Bonds. The Authority is required to fund the Stabilization Fund (in such amount as the Authority determines at the time of the funding of the Stabilization Fund) if it determines that Test Revenue (hereinafter defined) based on the applicable historical test for issuing additional Bonds (hereinafter described) is less than 3.5 times the maximum Principal and Interest Requirements on Senior Bonds, including any Senior Bonds proposed to be issued. In the event sufficient funds are not otherwise available in the Debt Service Fund when required to pay debt service, the Trustee is required to draw upon the Stabilization Fund to pay debt service, first on the Senior Bonds and next on the Junior Bonds. See APPENDIX B, “Flow of Funds.”

Debt Service Reserve Fund

Under the Agreement there is established a Debt Service Reserve Fund and within that fund there is a separate Debt Service Reserve Account for the Senior Bonds and the Junior Bonds. All funds held by the Trustee in the Debt Service Reserve Fund are pledged to secure the Senior Bonds and the Junior Bonds, as the case may be, as hereinafter more fully described. If there are insufficient funds otherwise available in the Senior Bonds or Junior Bonds debt service account, or in the Stabilization Fund, as applicable, when required to pay debt service on the Bonds, the Trustee is required to draw on the applicable Debt Service Reserve Account to make up the deficiency. The Authority is required to maintain funds in the Debt Service Reserve Fund at least equal to the Senior and Junior Bonds Debt Service Reserve Account Requirements.

The Debt Service Reserve Account Requirements with respect to the Senior and Junior Bonds are one half of the maximum Principal and Interest Requirements with respect to Senior and Junior Bonds, respectively. The Senior Bonds Debt Service Reserve Account Requirement is subject to increase as described below.

Two months prior to each July 1 (as of a date during such two-month period), the Authority must prepare the certificate required to be prepared in connection with the issuance of additional Bonds. In the event that the certificate shows that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by 2.00 times, then the Authority will file the certificate with the Trustee and (i) the Senior Bonds Debt Service Reserve Account Requirement shall become an amount equal to the maximum Principal and Interest Requirements on Senior Bonds Outstanding and (ii) the Authority shall commence to make deposits to the Senior Bonds Debt Service Reserve Account on at least an equal monthly basis to fund fully the Senior Bonds Debt Service Reserve Account Requirement on or by the second anniversary of the date of calculation. On any subsequent July 1, if such coverage exceeds 2.25 times, the Senior Bonds Debt Service Reserve Account Requirement may be reduced to an amount equal to one-half maximum Principal and Interest Requirements on Senior Bonds Outstanding, subject to increase as provided above.

Two months prior to each October 1 (as of a date during such two-month period) unless the Authority has filed with the Trustee the certificate described above during the two-month period prior to the next preceding July 1, the Authority shall prepare such certificate. In the event that the certificate shows that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by 2.00 times, then the Authority will file the certificate with the Trustee and (i) the Senior Bonds Debt Service Reserve Account Requirement shall become an amount equal to the maximum Principal and Interest Requirements on Senior Bonds Outstanding and (ii) the Authority shall commence to make deposits to the Senior Bonds Debt Service Reserve Account on at least an equal monthly basis to fund fully the Senior Bonds Debt Service Reserve Account Requirement on or by the second anniversary of the date of calculation. On any subsequent July 1, if such coverage exceeds 2.25 times, the Senior Bonds Debt Service

Reserve Account Requirement may be reduced to an amount equal to one-half maximum Principal and Interest Requirements on Senior Bonds Outstanding, subject to increase as provided above. The foregoing certificate shall also be filed by the Authority with the Trustee at the time of issuance of additional Bonds.

The Debt Service Reserve Account Requirements may be satisfied by the acquisition of a Credit Facility as provided in the Agreement. A portion of the Debt Service Reserve Account Requirement with respect to the Authority's Senior Bonds, and a portion of the Debt Service Reserve Account Requirement with respect to the Authority's Junior Bonds, are being satisfied by surety bonds issued by Municipal Bond Investors Assurance Corporation (now MBIA Insurance Corporation). The terms of the surety bonds provide that the Trustee must deplete funds available in the applicable Debt Service Reserve Account before drawing on the surety bond held with respect to the applicable Bonds. See APPENDIX B, "Additional Bonds; Debt Service Reserve Fund".

Investment Earnings

All investment earnings on the Revenue Fund, the Capital Fund, the Debt Service Fund, the Stabilization Fund and the Debt Service Reserve Fund, net of any amounts required to be paid to the Internal Revenue Service in order to preserve the tax-exempt status of the 2005 Bonds, are to be retained in or deposited by the Trustee in the Revenue Fund and are pledged by the Authority in the Agreement to secure the 2005 Bonds. The Authority is also required to cause the investment earnings on all of its other funds not held by the Trustee, including particularly the Transportation Trust Fund, to be paid to the Trustee for deposit in the Revenue Fund at least once a year (the "TTF Investment Earnings"). These investment earnings are also pledged by the Authority in the Agreement to secure the Bonds; however, such earnings shall not be treated as Additional Revenue for purposes of satisfying the coverage test which must be met as a condition of issuing additional bonds in the Agreement (See "Security for the Bonds", "Additional Senior Bonds" and "Additional Junior Bonds").

Non-Pledged Revenue

The Authority has not pledged to secure the Bonds (i) the toll revenue from the Route 1 Toll Road (the "Route 1 Toll Revenue"), (ii) the \$10,000,000 of escheat revenue for fiscal 2005 which is transferred from the General Fund to the Transportation Trust Fund, nor (iii) certain other miscellaneous transportation revenue and reimbursements which includes various amounts which may not be transferred in future fiscal years (items (ii) and (iii) are collectively referred to as the "Non-Pledged Miscellaneous Transportation Revenue"). The escheat revenues referred to above were transferred to the Trust Fund from fiscal 2000 until fiscal 2002, but were not so transferred in fiscal 2003. Such escheat revenue was again transferred to the Trust Fund in fiscal 2004 and fiscal 2005. It is expected that such escheat revenue will be transferred to the Trust Fund in fiscal years subsequent to fiscal 2005. Certain components of the Non-Pledged Miscellaneous Transportation Revenue are not projected to be recurring in future fiscal years. See "SOURCES OF REVENUE FOR THE TRUST FUND -- Miscellaneous Transportation Revenue - Non-Pledged Miscellaneous Transportation Revenues" for a discussion of revenue sources transferred to the Trust Fund but which have not been pledged by the Authority to secure the Bonds.

Flow of Funds

The State is required to transfer all motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees and Miscellaneous Transportation Revenue to the Trust Fund from where such revenue is required to be immediately transferred to the Trustee for deposit in the Revenue Fund to the extent that such revenues constitute "Revenues and Receipts of the Authority". The Agreement requires the Authority to collect tolls and other charges, fares, fees, and concessions for use of the Delaware Turnpike and its facilities and to deposit this revenue, upon receipt, in the Revenue Fund. On or before the fifteenth

day of each month, the Trustee is required under the Agreement to withdraw all funds from the Revenue Fund on deposit on the tenth day of that month and to deposit these funds in the following order of priority:

- (i) to fund debt service and debt service reserve requirements with respect to all Senior Bonds;
- (ii) to fund debt service and debt service reserve requirements with respect to all Junior Bonds;
- (iii) to pay Operating Expenses of the Delaware Turnpike;
- (iv) to make up any deficiency in the Operating Reserve Fund;
- (v) to make up any deficiency in the Stabilization Fund; and
- (vi) the remainder to be transferred to the Trust Fund, free of the lien of the Agreement, subject to an obligation to transfer investment income on the Trust Fund, if any, to the Revenue Fund.

See APPENDIX B, "Flow of Funds" and the flow of funds diagram under "THE TRANSPORTATION TRUST FUND -- Uses of Funds in the Trust Fund".

Senior Lien for Senior Bonds

The lien of the Junior Bonds against the Pledged Revenue, with certain limited exceptions, is subordinate to the lien of the Senior Bonds. If there is an event of default resulting from a failure in payment of debt service on the Senior Bonds or from an insolvency of the Authority or if there is an event of default which the Trustee attempts to remedy by acceleration, no payment of debt service may be made on the Junior Bonds except from certain Junior Bonds Priority Funds -- funds already on deposit in the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account (but not any funds held for optional redemption) or the Junior Bonds Debt Service Reserve Account -- until the default with respect to the Senior Bonds is cured.

Credit of the State Not Pledged; Certain Covenants of the State

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY SECURED ONLY BY THE PLEDGED REVENUE OF THE AUTHORITY AS DESCRIBED ABOVE UNDER "PLEDGE AND ASSIGNMENT OF REVENUE AND FUNDS". THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, NOR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OR OF ANY SUCH POLITICAL SUBDIVISION.

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2005 Bonds until such Bonds are paid or provision for their payment is made. The State has not, however, authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2005 Bonds.

The State has also covenanted in the Act that it will not (i) limit or alter the rights or powers vested in the Authority by the Act in any way that would jeopardize the interest of the holders of the Bonds or inhibit or prevent performance or fulfillment by the Authority of the terms of any agreement made with

the holders or (ii) prevent the Authority from obtaining revenue which, together with other available funds, shall be sufficient to meet all expenses of the Authority and fulfill the terms of any agreement made with the holders of Bonds and all costs and expenses in connection with any action or proceedings by or on behalf of the holders, or (iii) prevent the Authority from receiving payment of funds as provided in any agreement, until the Bonds together with interest and premium, if any, thereon are fully met and discharged or provided for.

The State has also covenanted in the Act that it will not limit or restrict the rights granted to the Authority by the Act to construct, reconstruct, improve, extend, alter, modernize, repair, operate and maintain any transportation facilities, or to establish and collect such charges, fares, fees, rates, rentals and tolls as may be convenient or necessary to produce sufficient revenue to meet the expenses of maintenance and operation thereof and to fulfill the terms of any agreements made with the holders of bonds authorized by the Act or in any way impair the rights or remedies of the holders of such bonds until all of such bonds are fully paid or discharged.

Additional Senior Bonds

The Agreement and the Act permit the Authority to issue additional Senior Bonds (or to convert outstanding Junior Bonds to Senior Bonds) secured on a parity with the other Senior Bonds issued and outstanding under the Agreement for any purpose permitted under the Act, provided that there is satisfied the Senior Bonds Historical Test (described in (i)(A) below) and the Junior Bonds Historical Test (described in (i)(B) below) or the Senior Bonds Alternate Test (described in (ii)(A) below) and the Junior Bonds Alternate Test (described in (ii)(B) below).

(i)(A) The Senior Bonds Historical Test is satisfied if the aggregate amount of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, revenue from the Delaware Turnpike, Pledged Miscellaneous Transportation Revenue and Additional Revenue pledged to secure the Bonds (excluding TTF Investment Earnings) (the "Test Revenue") for any 12 consecutive month period of the preceding 15 months ending not later than three months prior to the date of the additional Senior Bonds, which date shall not be more than 90 days prior to the date of issuance of the additional Senior Bonds (adjusted to reflect adjustments in the tax rates, fees and tolls as if such adjustments had been in effect for the entire period) equals or exceeds 2.00 times the maximum Principal and Interest Requirements for all Senior Bonds, including the Senior Bonds proposed to be issued.

(B) The Junior Bonds Historical Test is satisfied if the aggregate amount of Test Revenue, calculated in the same manner and for the same 12 month period as in (i)(A) above, reduced by the maximum Principal and Interest Requirements for the Senior Bonds, equals or exceeds 3.0 times the maximum Principal and Interest Requirements for all Junior Bonds, including the Junior Bonds proposed to be issued.

(ii)(A) The Senior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls, taxes or fees from the date such increase is to be in effect) (I) for the current fiscal year and each of the following four fiscal years equals or exceeds 2.00 times the Principal and Interest Requirements for all Senior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 2.00 times the maximum Principal and Interest Requirements for all Senior Bonds for that year or any subsequent fiscal year.

(B) The Junior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls,

taxes or fees from the date such increase is to be in effect), less (x) for the current and each of the next four fiscal years, the Principal and Interest Requirements on the Senior Bonds for each such year, and (y) for the fifth following fiscal year, the maximum Principal and Interest Requirements on the Senior Bonds for that year or any subsequent fiscal year, (I) for the current fiscal year and each of the following four fiscal years equals or exceeds 3.0 times the Principal and Interest Requirements for all Junior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 3.0 times the maximum Principal and Interest Requirements for all Junior Bonds for that year or any subsequent fiscal year.

The Authority may also issue additional Senior Bonds to refund any Senior Bonds, without meeting the coverage tests described above, if the maximum Principal and Interest Requirements for the refunding bonds is less than the maximum Principal and Interest Requirements for the Bonds to be refunded.

Additional Junior Bonds

The Agreement and the Act permit the Authority to issue additional Junior Bonds secured on a parity with all other Junior Bonds issued and outstanding under the Agreement for any purpose permitted under the Act, provided that either the Junior Bonds Historical Test or the Junior Bonds Alternate Test, as described above, is satisfied.

The Authority may also issue additional Junior Bonds to refund any Junior Bonds or Senior Bonds, without meeting the coverage tests described above, if the maximum Principal and Interest Requirements for the refunding bonds are less than the maximum Principal and Interest Requirements for the Bonds to be refunded.

Additional Revenue Considered in Additional Bonds Tests

For the purposes of the additional bonds coverage tests described above, Additional Revenue (excluding the TTF Investment Earnings) may be included and taken into account as Test Revenue provided that (1) a Supplemental Agreement is duly adopted by the Authority providing for the pledge of such Additional Revenue under the Agreement for the benefit of the holders of Bonds, (2) the Authority receives a written opinion of nationally recognized bond counsel to the effect that such pledge is valid and binding on the Authority and any pledge or assignment of such additional revenue to the Authority by the State is valid, (3) the State or the Authority, as the case may be, shall have covenanted not to repeal, reduce or adversely alter such Additional Revenue below rates in effect at the time of such pledge and assignment, (4) all approvals and authorizations necessary to effect such pledge and assignment have been obtained and (5) the Supplemental Agreement evidencing the pledge of Additional Revenues shall incorporate all of the covenants, terms and conditions contained in the Agreement.

Subordinate Indebtedness

Under the Agreement, the Authority may also issue additional obligations secured by a lien on the Pledged Revenue which is subordinate to the lien of the Senior Bonds and the Junior Bonds. Such obligations may be issued without regard to any additional bonds debt service coverage test. The rights of holders of any Subordinate Indebtedness will be limited, however, as follows: all principal and interest on all Senior and Junior Bonds must be paid before any payment of debt service may be made on any Subordinate Indebtedness if any of the following occur (i) insolvency, bankruptcy, receivership or any similar proceeding with respect to the Authority or its property; (ii) the acceleration of principal and interest on the Subordinate Indebtedness; (iii) an Event of Default with respect to Senior or Junior Bonds resulting in acceleration of principal of and interest on the Senior Bonds and/or the Junior Bonds; or (iv) an Event of Default resulting from the failure in payment of Principal and Interest Requirements on any Bond. An event of default with respect to Subordinate Indebtedness shall not in itself create the right to declare an Event of Default with respect to the Senior Bonds or the Junior Bonds.

BOND INSURANCE

Financial Guaranty has supplied the following information for inclusion in this Official Statement. No representation is made by the issuer or the underwriter as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Insured 2005 Bonds, Financial Guaranty Insurance Company (“Financial Guaranty”) will issue its Municipal Bond New Issue Insurance Policy (the “Policy”) for the Insured 2005 Bonds maturing from July 1, 2009 to July 1, 2021, inclusive (the “Insured 2005 Bonds”). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Insured 2005 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Insured 2005 Bonds (the “Issuer”). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the “Fiscal Agent”), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Insured 2005 Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Insured 2005 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner’s right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner’s rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term “nonpayment” in respect of an Insured 2005 Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of an Insured 2005 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Insured 2005 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, if any, and not on any other date on which the Insured 2005 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Insured 2005 Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Insured 2005 Bond, appurtenant coupon or right to payment of principal or interest on such Insured 2005 Bond and will be fully subrogated to all of the Bondholder’s rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure the Insured 2005 Bonds, Financial Guaranty may be granted certain rights under the Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Insured 2005 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty Insurance Company

Financial Guaranty, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, a Delaware corporation, and provides financial guaranty insurance for public finance and structured finance obligations. Financial Guaranty is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia, the U.S. Virgin Islands, the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. FGIC Corporation paid GE Capital approximately \$284.3 million in pre-closing dividends from the proceeds of dividends it, in turn, had received from Financial Guaranty, and GE Capital retained approximately \$234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. Financial Guaranty is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles ("SAP") and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including Financial Guaranty, to financial guaranty insurance and certain related lines.

For the nine months ended September 30, 2005, and the years ended December 31, 2004, and December 31, 2003, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately \$58.5 billion, \$59.5 billion and \$42.4 billion par value of securities, respectively (of which approximately 55%, 56% and 79%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately \$312.5 million, \$323.6 million and \$260.3 million, respectively. For the nine months ended September 30, 2005, Financial Guaranty had reinsured, through facultative and excess of loss arrangements, approximately 7.8% of the risks it had written.

As of September 30, 2005, Financial Guaranty had net admitted assets of approximately \$3.401 billion, total liabilities of approximately \$2.246 billion, and total capital and policyholders' surplus of approximately \$1.155 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of Financial Guaranty as of September 30, 2005, the audited financial statements of Financial Guaranty as of December 31, 2004, and the audited financial statements of Financial Guaranty as of December 31, 2003, which have been filed with the Nationally

Recognized Municipal Securities Information Repositories (“NRMSIRs”), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading “BOND INSURANCE,” or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

Financial Guaranty also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of Financial Guaranty’s most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty’s telephone number is (212) 312-3000.

Financial Guaranty’s Credit Ratings

The financial strength of Financial Guaranty is rated “AAA” by Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc., “Aaa” by Moody’s Investors Service, and “AAA” by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies’ current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Insured 2005 Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Insured 2005 Bonds. Financial Guaranty does not guarantee the market price or investment value of the Insured 2005 Bonds nor does it guarantee that the ratings on the Insured 2005 Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Insured 2005 Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading “BOND INSURANCE.” In addition, Financial Guaranty makes no representation regarding the Insured 2005 Bonds or the advisability of investing in the Insured 2005 Bonds.

SOURCES OF REVENUE FOR THE TRUST FUND

General

The Transportation Trust Fund receives the motor fuel taxes, the Delaware Turnpike toll and concession revenue, Route 1 Toll Revenue, the motor vehicle document fee revenue, the motor vehicle registration fee revenue, Miscellaneous Transportation Revenue and the interest earnings on the Trust Fund’s balances. All of the revenue derived from these sources, except the Route 1 Toll Revenue and the Non-Pledged Miscellaneous Transportation Revenue (which includes, among others, the escheat revenue), is pledged to secure the Bonds.

The Delaware Economic and Financial Advisory Council (“DEFAC”) forecasts revenue of the Transportation Trust Fund applying various assumptions and forecasts provided to it by the Department. The report of URS Corporation (the “Transportation Consultant”), entitled “Traffic and Earnings Report for the Delaware Turnpike and the Route 1 Toll Road”, dated October 28, 2005 (the “Transportation

Consultant's Report") is attached hereto as APPENDIX E. The forecasts of toll and concession revenue for the Delaware Turnpike and the Route 1 Toll Road contained herein reflect the DEFAC forecasts.

Motor Fuel Tax Revenue

General

Motor fuel tax revenue is derived from taxes imposed by the State on gasoline and special fuels. This revenue totaled \$113.7 million (net of refunds) in fiscal 2005. Motor fuel tax revenue provided 37.8% of the revenue pledged to secure the Bonds in fiscal 2005 and is the largest component of such pledged revenue.

The term "gasoline" includes all products commonly or commercially known as gasoline but does not include liquefied gases. The term "special fuel" means all combustible gases and liquids, except gasoline, suitable for the generation of power for propulsion of motor vehicles. Gasoline taxes are payable by licensed distributors and special fuel taxes are remitted by licensed special fuel suppliers, users and dealers based on the sale or use of special fuels. Distributors, licensed special fuel users, dealers and suppliers are required to file tax reports monthly and remit the taxes due for the preceding month. Failure to file reports or remit taxes subjects the distributor, dealer, user or supplier to monetary penalties plus civil or criminal proceedings. Exemptions from the motor fuel tax are provided to the United States or any government agencies thereof and to the State and its political subdivisions, among other entities.

Motor fuel taxes were imposed at the rate of 16 cents per gallon for gasoline and special fuels for the period from September 1, 1987 to December 31, 1990. On January 1, 1991 the motor fuel tax increased to 19 cents per gallon. In June, 1993, the General Assembly enacted increases in both the gasoline and special fuels tax rates as follows: (1) the gasoline tax rate increased to 22 cents per gallon on September 1, 1993 and to 23 cents per gallon on January 1, 1995; and (2) the special fuels tax rate increased to 22 cents per gallon on January 1, 1995.

Historical Summary of Gallonage and Revenue from Motor Fuel Taxation

The following table summarizes certain historical information pertaining to motor fuel taxes and motor fuel usage in the State.

History of Gallonage and Revenue from Motor Fuel Taxes

(dollars and gallonage in millions; percent change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Gallonage</u>	<u>Percent Change</u>	<u>Revenue⁽¹⁾</u>	<u>Percent Change</u>
1980	314.7	--	\$28.2	--
1981	312.4	(0.7)	27.7	(1.8)
1982	313.0	0.2	33.5 ⁽²⁾	20.9
1983	323.9	3.5	35.3	5.4
1984	347.8	7.4	38.0	7.7
1985	361.5	3.9	39.4	3.7
1986	365.6	1.1	40.2	2.0
1987	374.2	2.4	45.7 ⁽³⁾	13.7
1988	386.4	3.3	59.2 ⁽⁴⁾	29.5
1989	392.5	1.6	62.6	5.7
1990	395.8	0.8	63.4	1.3
1991	383.9	(3.0)	66.0 ⁽⁵⁾	4.1
1992	382.8	(0.3)	72.5	9.9
1993	399.7	4.4	75.6	4.3
1994	404.8	1.3	84.7 ⁽⁶⁾	12.0
1995	415.5	2.6	91.7 ⁽⁷⁾	8.3
1996	412.7	(0.7)	94.1	2.6 ⁽⁸⁾
1997	417.2	1.1	95.1	1.1
1998	433.8	4.0	98.5	3.6
1999	451.9	4.1	102.5	4.0
2000	455.7	.8	103.9	1.4
2001	438.8	(3.7)	98.9	(4.8)
2002	469.6	7.0	107.7	8.9
2003	474.2	1.0	107.3	(.4)
2004	485.7	2.4	112.4	4.8
2005	499.2	2.8	113.7	1.1

(1) Net of refunds for non-highway use.

(2) Rate increased from 9 to 11 cents per gallon on August 1, 1981.

(3) Rate increased from 11 to 13 cents per gallon on October 1, 1986.

(4) Rate increased from 13 to 16 cents per gallon on September 1, 1987.

(5) Rate increased from 16 to 19 cents per gallon for gasoline on January 1, 1991.

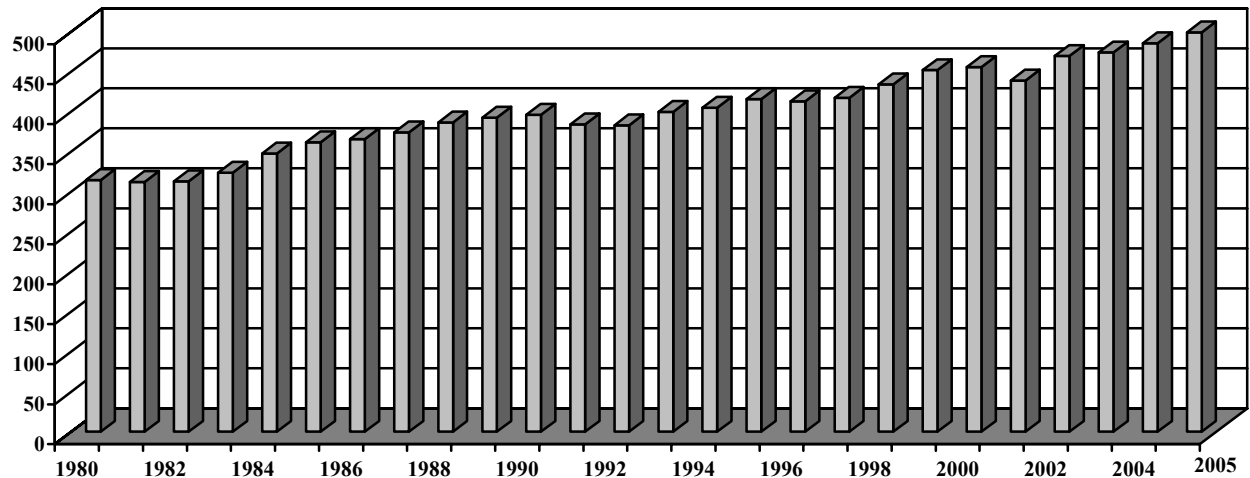
(6) Rate increased from 19 cents to 22 cents per gallon for gasoline on September 1, 1993.

(7) Rate increased from 22 cents to 23 cents per gallon for gasoline and from 19 to 22 cents per gallon for special fuels on January 1, 1995.

(8) Reflects full year impact of fiscal 1995 rate increase.

The following graph plots the taxable motor fuel consumed in the State from fiscal 1980 through fiscal 2005.

Motor Fuel Consumption 1980-2005 (in millions of gallons)



Motor Fuel Consumption

Motor fuel consumption is affected by various factors, including population growth, stages of the business cycle, cost and availability of fuel, the requirements of the Federal Energy Act and the Federal Clean Air Act Amendments of 1991 and the fuel efficiency of the vehicle fleet. Historically, growth in consumption of motor fuel in Delaware has exceeded national and regional averages due in large part to a stronger local economy. Declines have occurred during economic downturns and during periods of rapidly rising fuel costs.

During the twenty-six year period from fiscal 1980 through fiscal 2005, motor fuel consumption has risen from a low of 312.4 million gallons during the fiscal 1981 recessionary period to an all time high of 499.2 million gallons during fiscal 2005. The average percentage growth during this time period was 1.9%.

Special fuel consumption has doubled since fiscal 1980 primarily because of the increased use of diesel engines. Special fuel's percentage of total consumption has increased from 9.2% in fiscal 1980 to 13.0% in fiscal 2005.

Projections of Gallonage and Revenue from Motor Fuel Taxes

Based on the historical data regarding motor fuel consumption and some of the factors referenced above, DEFAC has provided projections of fuel consumption through fiscal 2011. The single most important factor which will affect future motor fuel consumption, both nationally and in Delaware, is the trend toward increasing the vehicle engine efficiency rate resulting in increased average miles per gallon. New vehicles entering the fleet have increased the average number of gallons for all vehicles and future changes in vehicle technology may affect gasoline consumption.

The forecasted motor fuel consumption and revenue from motor fuel taxation, assumes the current and approved rate structure of \$.23 per gallon for gasoline and \$.22 per gallon for special fuels. The forecasted growth rates of motor fuel consumption are expected to be less than historical averages for the reasons referred to above.

Projections of Gallonage and Revenue from Motor Fuel Taxes⁽¹⁾
(dollars and gallonage in millions)

<u>Fiscal Year</u>	<u>Gallonage</u>	<u>Percent Change</u>	<u>Revenue⁽²⁾</u>	<u>Percent Change</u>
2006	506.7	1.5 ⁽³⁾	\$114.0	0.3 ⁽³⁾
2007	514.8	1.6	115.0	0.9
2008	524.1	1.8	116.0	0.9
2009	533.5	1.8	117.0	0.9
2010	543.1	1.8	118.0	0.9
2011	552.9	1.8	119.0	0.8

(1) Projections for fiscal 2006 through fiscal 2011 provided by DEFAC from its September 19, 2005 meeting.

(2) Revenue net of refunds for non-highway use.

(3) Increase over fiscal 2005 actual.

Toll Revenue

Delaware Turnpike Revenue

General. The toll and concession revenue of the Delaware Turnpike generated the third largest source of revenue to the Trust Fund: \$60.7 million in fiscal 2005 or 20.2% of the revenue pledged to secure the Bonds. Of the total toll and concession revenue in fiscal 2005, toll revenue comprised 95% and concession revenue comprised 5%.

Electronic Tolls. In 1998, the Department joined a consortium of several transportation agencies from New Jersey and New York (the "Consortium") for the purpose of installing an electronic toll collection system ("E-Z Pass System") on the toll roads and bridges operated by the members of the Consortium. Pursuant to a Contract (the "Vendor Contract"), dated March 10, 1998, between The New Jersey Turnpike Authority, as the designated representative of the Consortium, and Adesta Communications (formerly MFS Network Technologies, Inc.) (the "Vendor"), the Department completed the installation of the E-Z Pass System on the Route 1 Toll Road and the Delaware Turnpike (which became operational on the Delaware Turnpike in November 1998, the southern section of the Route 1 Toll Road in April 1999 and the northern section in November 1999). All tolls paid by the users of the E-Z Pass System in Delaware are promptly being remitted to the Authority. Under the Vendor Contract, the Department has a contingent liability for a share of various costs to the extent that such costs are not covered by the anticipated revenues. The Department has a true-up liability in 2008 estimated at \$12.0 million plus accrued interest. The State has established a reserve for such liability on its financial statements.

For a variety of reasons, the Department determined to separate from the Consortium. In connection with that decision, the Department entered into an agreement in late March 2003 with the New Jersey Turnpike Authority, pursuant to which the Department received certain one-time payments totaling \$7.6 million and a further \$1 million in work effort required to complete a Fiber Optic network.

In connection with the decision to separate from the Consortium, the Department issued a Request for Proposals and subsequently entered into an Agreement with TransCore for the build-out and

operation of the Department's new stand-alone E-Z Pass Customer Service Center and Violations Processing Center. The Center was completed and made operational in October 2003.

The implementation of the E-Z Pass System occurred in stages. The implementation of E-Z Pass coincided with the increase in tolls at the Delaware Turnpike in January 1999. Implementation on the southern section of State Route 1 occurred in April 1999 and implementation in the northern section occurred with the opening of the tolls at Biddles Corner, southern New Castle County, in November 1999.

The E-Z Pass System has increased the Authority's ability to track traffic and transactions at the toll barriers and has aided in the electronic transfer of funds to Transportation Trust Fund accounts. It has also increased the Authority's enforcement of violations for non-payment of tolls.

Delaware's E-Z Pass utilization rates have increased as expected. The Delaware Turnpike has a utilization rate of 43.9%, while the rate on State Route 1 is 55.8%, both in fiscal 2005. These rates will continue to increase as neighboring toll facilities join the E-Z Pass network. The Delaware River and Bay Authority (operator of the Delaware Memorial Bridge), started operating in the E-Z Pass network in July 2001. The Maryland Transportation Authority (operator of the John F. Kennedy Memorial Highway and several bridges) accepts E-Z Pass on the John F. Kennedy Memorial Highway, the Key Bridge, and the Fort McHenry and Harbor Tunnels, and in November 2001 it began accepting E-Z Pass on the Bay Bridge and Harry Nice Bridge. Delaware's toll roads are now connected to E-Z Pass participants to the north and the south, which will lead to further increases in utilization.

Description of Delaware Turnpike. The Delaware Turnpike comprises 11.3 miles of the nation's Interstate 95, which extends along the east coast from Maine to Florida. To the southwest, the Delaware Turnpike connects directly to the Maryland Turnpike, a similar toll facility extending southward to Baltimore.

The easterly terminus of the Delaware Turnpike is at Delaware Route 141 where the Delaware Turnpike meets the following three non-toll sections of the State's interstate road system: Interstate 95 which extends north to Wilmington, Delaware and into Pennsylvania; Interstate 495 which bypasses Wilmington to the east and rejoins I-95 at the Delaware/Pennsylvania state line; and Interstate 295 which connects with U.S. Routes 13, 40 and 301 immediately to the east, and continues across the Delaware Memorial Bridge, connecting with the New Jersey Turnpike and New Jersey I-295.

Most of the Delaware Turnpike consists of four twelve-foot wide lanes in each direction. There are four interchanges to serve communities along the route. A main barrier toll plaza consisting of 20 lanes (four of which were added in November 1997), the only toll collection point on the Delaware Turnpike, is located near the Maryland state line.

The Authority owns restaurants and two service stations which, through contracts with concessionaires, provide additional revenue for the Delaware Turnpike. The concession facilities are located approximately midway on the Delaware Turnpike, between the north and southbound lanes.

The Delaware Turnpike restaurants were renovated in 1988 and are operated by the HMS Host Corporation pursuant to a twenty-year contract which extends through June 2008. In fiscal 2005, restaurant revenue to the Delaware Turnpike totaled \$1.6 million. One service station is operated by Exxon Corporation under a ten-year contract that expires in March 2007, and another service station is operated by Sunoco, Inc. under a ten-year contract that expires in October 2008. In fiscal 2005, the two service stations sold 9.8 million gallons of motor fuel and generated \$1.0 million of concession revenue for the Delaware Turnpike. Revenue generated from other miscellaneous sources including public telephone contracts totaled \$0.3 million during fiscal 2005.

Historic Traffic and Toll Summary. The Delaware Turnpike's facilities have experienced significant growth in usage in the past few years.

The average annual growth of vehicle trips since fiscal 1980 has been 3.2%. During fiscal 2005, passenger traffic decreased 1.3% and commercial traffic was up 4.5%.

The following table summarizes the recorded vehicle trips through the Delaware Turnpike toll barrier and the revenue derived therefrom and from concessions from fiscal 1980 through fiscal 2005.

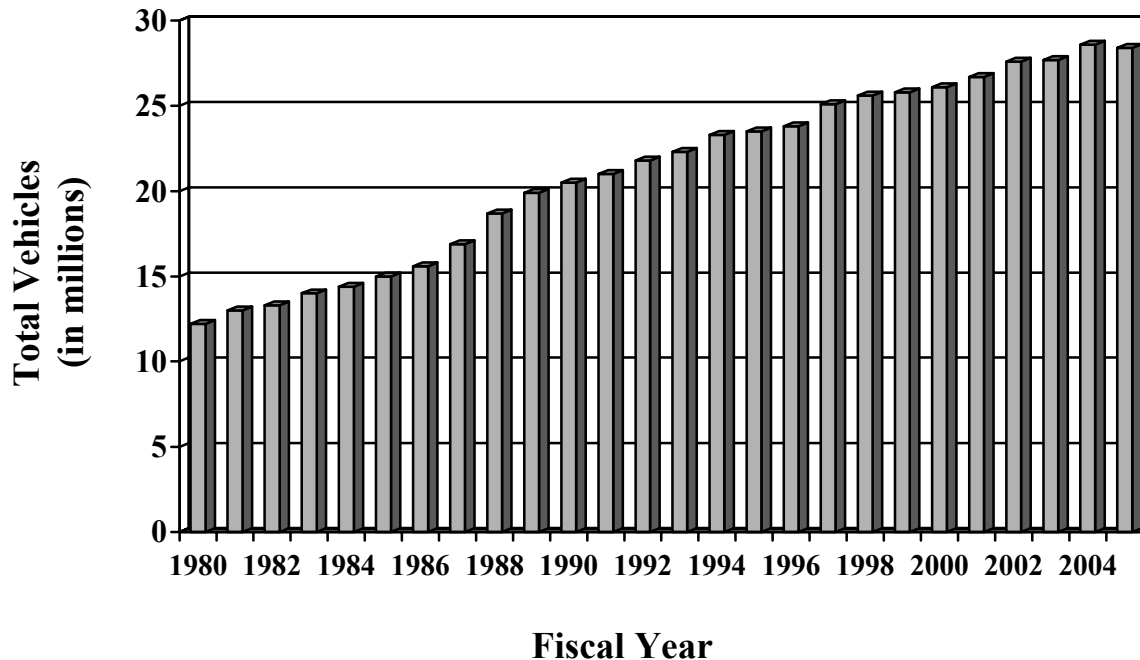
Vehicle Trips and Delaware Turnpike Revenue
(dollars and vehicles in millions, percent change and totals
calculated from unrounded data)

<u>Fiscal Year</u>	<u>Vehicles Through the Toll Barrier</u>	<u>Percent Change</u>	<u>Toll Revenue</u>	<u>Concession Revenue</u>	<u>Toll and Concession Revenue</u>	<u>Percent Change</u>
1980.....	12.2	--	\$ 7.6	\$ 1.0	\$ 8.6	--
1981.....	13.0	6.8	9.0 ⁽¹⁾	1.1	10.1	17.4 ⁽¹⁾
1982.....	13.3	1.9	2.4	1.1	13.5	33.7 ⁽¹⁾
1983.....	14.0	5.5	13.1	1.0	14.1	4.4
1984.....	14.4	2.5	18.2 ⁽²⁾	1.3	20.1	42.6
1985.....	15.0	4.5	19.7	1.3	21.0	4.5
1986.....	15.6	4.1	20.5	1.3	21.8	3.8
1987.....	16.9	8.3	22.3	1.4	23.7	8.7
1988.....	18.7	10.4	24.6	1.4	26.0	9.7
1989.....	19.9	6.5	26.1	1.7	27.8	6.9
1990.....	20.5	3.2	28.3 ⁽³⁾	1.7	30.0	7.9
1991.....	21.0	2.1	29.0	1.7	30.7	2.3
1992.....	21.8	4.0	29.5	1.9	31.4	2.3
1993.....	22.3	2.4	30.4	2.0	32.4	3.2
1994.....	22.3	(0.2)	36.7 ⁽⁴⁾	2.1	38.8	19.7
1995.....	23.5	5.4	40.3	2.2	42.5	9.5
1996.....	23.8	1.7	40.6	2.3	42.9	0.9
1997.....	25.1	5.2	41.8	2.4	44.2	3.0
1998.....	25.6	2.2	43.3	2.4	45.7	3.4
1999.....	25.8	0.7	51.3 ⁽⁵⁾	2.5	53.8	17.6
2000.....	26.1	1.2	60.1	2.5	62.6	16.3
2001.....	26.7	2.2	61.6	2.6	64.2	2.6
2002.....	27.6	3.4	62.1	2.5	64.6	0.6
2003.....	27.7	.3	60.1	2.5	62.6	(3.0)
2004.....	28.6	3.0	60.1	2.8	62.9	.4
2005.....	28.4	(0.5)	57.9	2.8	60.7	(3.4)

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- (1) Toll increase effective April 15, 1981.
(2) Toll increase effective July 1, 1983.
(3) Toll adjustments effective October 1, 1989.
(4) Toll increase effective September 1, 1993.
(5) Toll increase for Non-EZ Pass cars effective on January 4, 1999.

The following graph illustrates the growth of traffic through the toll gates of the Delaware Turnpike from fiscal 1980 through fiscal 2005.

Delaware Turnpike Toll Traffic Fiscal 1980-2005



Delaware Turnpike Toll Schedules. The Act authorizes the imposition of tolls at the main barrier of the Delaware Turnpike. The Authority has broad power to determine the levels of the tolls. The establishment of tolls does not involve public hearings, nor are the levels of tolls subject to approval by any person or entity other than the Authority itself. In general, the Authority has set tolls to meet debt service and reserve requirements on obligations sold to fund Turnpike projects, to meet operating and maintenance costs and to fund the costs of constructing and reconstructing feeder roads and related facilities used by Delaware Turnpike travelers. The level of tolls per mile is higher than the average tolls charged on other similar facilities.

The following table summarizes the recent toll history and indicates the percentage of toll revenue collected in fiscal 2005 by class of vehicle.

Delaware Turnpike Barrier Tolls

	July 1, 1983 - <u>Oct. 1, 1989</u>	Oct. 1, 1989 - <u>Sept. 1, 1993</u>	Sept. 1, 1993 - <u>Jan. 4, 1999</u>	Jan. 4, 1999 – <u>October 1, 2005</u>	Percentage of Fiscal 2005 Toll Revenue by Vehicle <u>Class</u>
High Occupancy Vehicle	N/A	N/A	\$.50	\$.63	0.0%
Passenger cars, pick up and panel trucks	\$ 1.00	1.00	1.25	2.00 ⁽¹⁾	50.8 ⁽²⁾
E-Z Pass Vehicle (two-axle)....				1.25	35.4%
Two axle, six tire trucks.....	1.20	1.00	1.25	1.25	N/A
Three axle trucks.....	1.80	2.00	2.50	2.50	1.8%
Four axle trucks	2.40	3.00	3.75	3.75	1.5%
Five axle trucks.....	3.00	4.00	5.00	5.00	10.3%
Six axle trucks.....	3.60	5.00	6.25	6.25	0.2%
Special permit vehicles	10.00	10.00	10.00	10.00	0.0%

(1) Effective January 4, 1999, the toll for cash paying (non-E-Z Pass) passenger cars was increased to \$2.00.

(2) Includes toll revenue from two axle, six tire trucks which are now in the same vehicle class as passenger cars, pick up and panel trucks.

The following rates became effective on October 1, 2005. After October 1, 2005, there is only one discount plan on I-95. Commercial vehicles (3 or more axles) with E-Z Pass will get a 75% discount between 10 pm and 6 am.

New Toll Rates – Newark

	<u>Per Axle</u>	<u>Toll Rates</u>	<u>Rounded Rates</u>
2 Axle	\$1.50		\$ 3.00
3 Axle	1.60		5.00
4 Axle	1.60		6.00
5 Axle	1.60		8.00
6 Axle	1.60		10.00
Permit	--		10.00

Projections of Delaware Turnpike Toll and Concession Revenue. DEFAC projects toll and concession revenue which projections are set forth in the following chart.

**Projected Toll and
Concession Revenue of Delaware Turnpike⁽¹⁾**
(dollars in millions)

<u>Fiscal Year</u>	<u>Toll Revenue⁽²⁾</u>	<u>Concessions⁽³⁾</u>	<u>Total Revenue</u>	<u>Percent Change</u>
2006	\$86.4	\$2.6	\$ 89.0	47.4 ⁽⁴⁾
2007	99.0	2.7	101.7	14.3
2008	100.0	2.7	102.8	1.1
2009	101.1	2.7	103.8	1.0
2010	101.9	2.7	104.6	0.8
2011	102.7	2.7	105.4	0.8

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- (1) Projections provided by DEFAC from its September 19, 2005 meeting.
(2) New toll rate structure effective October 1, 2005.
(3) Excludes "Other Turnpike Revenue".
(4) Percent change from fiscal 2005 actual.

Route 1 Toll Road

General. The Authority has completed a fully controlled access highway of 41 miles extending from a connection with the southern terminus of the new Route 1 Toll Road just south of Wilmington to points south of Dover on U.S. Routes 13 and 113. A new high-level bridge across the Chesapeake and Delaware Canal was opened for traffic during December 1995.

The southern portion of the project was opened for traffic during December 1993. This section is approximately 9 miles and extends from north of Smyrna southward to south of State Route 10 in the vicinity of the Dover Air Force Base. This section also includes a mainline toll plaza and one ramp toll for access to and from the City of Dover.

A portion of the northern section of approximately 4.8 miles, including a new bridge over the Chesapeake and Delaware Canal, was opened for traffic in December 1995. On November 17, 1999, this Section was extended another 9 miles south to Odessa. This section has a main-line toll plaza (the Biddle's Plaza) and tolls on the southerly interchange ramps at Route 896 (Boyd's Corner). The final section from south of Odessa to north of Smyrna was finished in May 2003.

Listed below is the toll schedule which went into effect during December 1993 for South Smyrna, Denneys Road and the Dover Plaza, and in November 1999 for Biddles Plaza and Boyds Corner. The current schedule is broken down by vehicle class and toll plaza location:

<u>Vehicle Class</u>	<u>South Smyrna</u>	<u>Denneys Road</u>	<u>Dover Plaza</u>	<u>Boyds Corner</u>	<u>Biddles Plaza</u>
Passenger car & light truck.....	\$ 0.25	\$ 0.50	\$ 1.00	\$ 0.50	\$ 1.00
Passenger car with trailer.....	0.50	1.00	2.00	1.00	2.00
Three axle truck or bus.....	0.50	1.00	2.00	1.00	2.00
Four axle truck.....	0.75	1.50	3.00	1.50	3.00
Five axle truck.....	1.00	2.00	4.00	2.00	4.00
Six axle truck.....	1.25	2.50	5.00	2.50	5.00
Wide load permit.....	10.00	10.00	10.00	10.00	10.00

During the second half of fiscal 1995, the Department implemented discounted fare programs for carpools and commercial vehicles. Frequent users of the Route 1 Toll Road received discounts by registering with the E-Z Pass Consortium and pre-paying tolls under the Debit Card Discount Program. In April of 1999, the E-Z Pass system was introduced at the Dover, Denneys and S. Smyrna exits of State Route 1. In November 1999, the system was introduced at the Biddles and Boyds Corner Plazas. Each of these plazas provide discounts for use of E-Z Pass. The discount structure applies to vehicles by class.

The structure of the tolls for the E-Z Pass system was based on providing incentives to encourage the use of E-Z Pass. The system provides discounts for use of E-Z Pass and prorates tolls based on the distance an E-Z Pass customer drives.

Effective October 2000, the Department offered a toll discount program which provides a 50% discount off the cash price of tolls for 2-axle vehicles using E-Z Pass on the Route 1 Toll Road for 30 or more trips during a 30-day period. A trip is defined as any usage of the Route 1 Toll Road where a toll is charged against a customer's account regardless of where the entrance and exit is located on the road. The standard 15% discount will remain in effect if a customer makes fewer than 30 trips in 30 days. The frequency-of-use provision applies to non-commercial 2-axle vehicles. The 3, 4, 5, and 6-axle vehicles will also receive a 50% discount off of the cash price, but without having to make a minimum number of trips.

The E-Z Pass system also provides for a pro-rata toll rate for distance traveled on the Route 1 Toll Road. For instance, because the distance between the main Biddles Plaza and the Boyds Corner Plaza is roughly half the distance of the northern section of the Route 1 Toll Road, the toll rate for the 2-axle E-Z Pass vehicle is half of the cash toll plus the discount (\$.85) or \$.43 cents per trip. Multi-axle vehicles receive the same pro-rata toll rate discount applied times the number of additional axles over the 2-axle vehicle.

High-occupancy vehicles will be receiving a 65% discount under the current frequency of use program. A high-occupancy vehicle carries two or more passengers and is required to stop at a staffed toll booth for verification. Customers must sign up separately for the HOV frequency of use program.

Cash customers will be charged based on the cost to travel the total length of the road. Since the satellite exits will not be staffed, cash-paying customers leaving the system will not receive a prorated credit for distance traveled. Coin machines are available for cash-paying customers at the Boyds Corner and Denneys Road exits.

Historic and Projected State Route 1 Toll Revenue. Fiscal 1995 represented the first full year of operation for the Route 1 Toll Road. Total revenues of \$6.4 million exceeded the forecast of \$5.7 million projected in connection with the sale of the 1994 Series Senior Bonds. DEFAC's projected toll revenue for the entire Route 1 Toll Road, assuming the present toll structure was maintained at both mainline toll barriers, is set forth in the following table. Total annual revenues to be generated from the

entire toll road are expected to increase to approximately \$36.5 million by fiscal 2010. Revenue from the Route 1 Toll Road is not pledged to secure the Bonds.

Route 1 Toll Road
Historical and Projected Toll Revenue⁽¹⁾
(dollars in millions, percentage change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Total Toll Revenue</u>	<u>Percent Change</u>
1995	\$6.4	---
1996	7.4	15.6
1997	8.4	13.1
1998	9.2	8.9
1999	9.7	5.8
2000	16.4	69.8
2001	20.7	25.7
2002	24.2	17.2
2003	25.4	5.0
2004	27.1	6.5
2005	30.2	11.3
2006	32.5	7.6
2007	33.5	3.1
2008	34.0	1.5
2009	35.5	4.4
2010	36.5	2.8
2011	37.5	2.7

(1) Projections provided by DEFAC from its September 19, 2005 meeting.

Motor Vehicle Document Fees

General

Motor vehicle document fees are imposed upon the sale or transfer of any new or used motor vehicle, truck tractor, trailer or motorcycle in the State. These fees contributed \$65.7 million in fiscal 2005, 21.9% of the revenue pledged to the Bonds in fiscal 2005. The document fee, which is based on the vehicle purchase price, is paid by the owners and collected by the State for deposit in the Trust Fund. If the price of the vehicle is less than \$400, the fee is \$8; if the price is \$400 to \$500, the fee is \$13.75. Thereafter, the fee increases by \$2.75 for each additional \$100 of vehicle purchase price or any fraction thereof. The following table summarizes the history of motor vehicle document fee collections from fiscal 1980 through fiscal 2005.

History of Motor Vehicle Document Fees (vehicles in thousands and dollars in millions, percent change calculated from unrounded data)

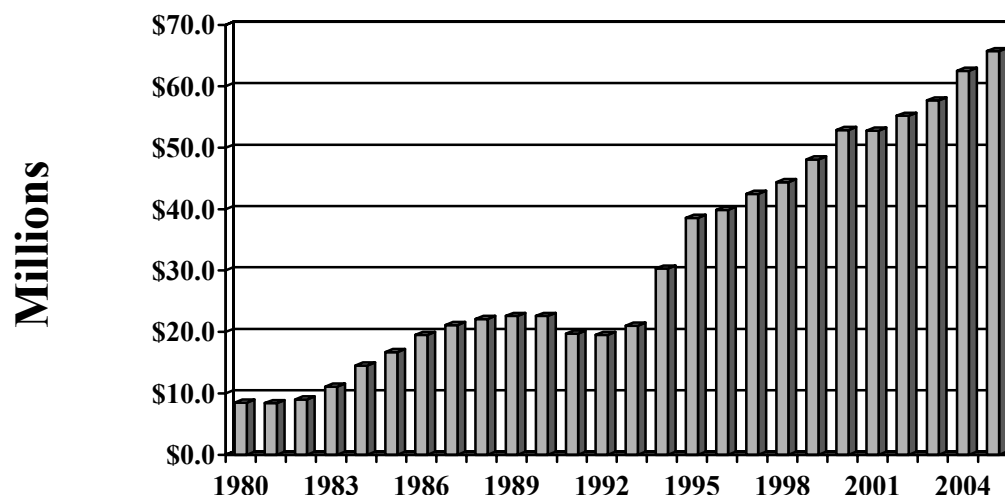
<u>Fiscal Year</u>	<u>Vehicles Titled⁽¹⁾</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
1980	189.1	--	\$ 8.5	--
1981	181.7	(3.9)	8.4	(1.6)
1982	177.2	(2.5)	9.0	7.2
1983	190.0	7.2	11.1	23.5
1984	233.8	23.1	14.5	30.0
1985	229.6	(1.8)	16.7	15.5
1986	251.4	9.5	19.5	17.0
1987	274.3	9.1	21.1	8.1
1988	270.6	(1.3)	22.1	4.7
1989	233.2	(13.8)	22.6	2.3
1990	213.8	(8.3)	22.6	(0.2)
1991	209.7	(1.9)	19.7	(12.7)
1992	196.4	(6.3)	19.5	(0.8)
1993	193.0	(1.7)	21.0	7.7
1994	199.0	3.1	30.3 ⁽²⁾	44.3
1995	215.5	8.3	38.6	27.4
1996	211.6	(1.8)	39.9	3.3
1997	216.5	2.3	42.5	6.7
1998	217.0	0.3	44.4	4.4
1999	224.9	3.6	48.1	8.3
2000	232.7	3.5	52.9	9.9
2001	234.0	0.5	52.8	0.0
2002	244.1	4.3	55.2	4.5
2003	248.2	1.7	57.7	4.6
2004	262.3	5.7	62.5	8.4
2005	276.1	5.2	65.7	5.0

(1) Includes titles for both new and used vehicles which closely approximates total car sales during each fiscal year.

(2) Reflects rate increase from 2% to 2.75%, effective September 1, 1993.

The revenue stream in the previous table is illustrated by the following graph.

Motor Vehicle Document Fee Revenue 1980-2005



The average annual rate of growth in revenue was 10.6% between fiscal 1994 and fiscal 2005, due in large part to increases in new car sales and document fees (as described below). The average annual rate of growth in revenue was 5.5% between fiscal 1996 and fiscal 2005, despite no increase in the document fee. Document fee revenue is generated by the number of transactions as well as the cost of the vehicle transferred.

Document fee revenue decreased in fiscal years 1990 through 1992 reflecting that recessionary period. Fiscal 1993 revenue increased 7.7% as the economy improved as indicated by the increase in new car sales of 5.6%. The trend continued during fiscal 1994 as revenue increased over 44% as a result of an increase in new car sales of over 9.1% combined with the document fee increase from 2% to 2.75% in September 1993.

Projections of Motor Vehicle Document Fees

Revenue growth is expected to increase at a rate less than historical averages given the reduced levels of pent-up demand for vehicles absorbed by the large increases in car sales during the past four years.

Average annual titling is forecast to remain constant at 2.9% between fiscal 2006 and fiscal 2011. The document fee revenue is expected to increase, with an average growth rate of 2.7% through fiscal year 2011.

Listed below are the DEFAC forecasts of document fee revenue through fiscal 2011 assuming the current document fee rate of 2.75% remains unchanged.

Projected Motor Vehicle Document Fees ⁽¹⁾
(vehicles in thousands and dollars in millions)

<u>Fiscal Year</u>	<u>Vehicles Titled</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
2006.....	283.6	2.7 ⁽²⁾	\$68.0	3.5 ⁽²⁾
2007.....	291.2	2.7	70.0	2.9
2008.....	299.1	2.7	71.7	2.4
2009.....	307.1	2.7	73.5	2.5
2010.....	315.4	2.7	75.4	2.6
2011.....	324.0	2.7	77.3	2.5

(1) Projections provided by DEFAC from its September 19, 2005 meeting.

(2) Percentage change from actual fiscal 2005 results.

Motor Vehicle Registration Fees

General

Motor vehicle registration fees are paid at the time of application for the registration of a motor vehicle and prior to the issuance of the required registration plates by the Division of Motor Vehicles. The revenue (net of refunds to other states) from this source was \$30.2 million in fiscal 2005 and constituted 10% of the revenue pledged to the Bonds in fiscal 2005.

Since October 1986, new cars can be registered for a three year period and effective September 1990, new or used cars have had the option to renew for a two year period. Commencing in July 2000, any newly-manufactured current model year motor vehicle or trailer with a gross registered weight of 10,000 lbs. or less not previously registered or titled in any state or country may be initially registered by the owner for five years or less. Passenger cars have paid \$20 per year since 1965 while trucks pay according to their weight. On October 1, 1991, the registration fee for commercial vehicles increased from \$2.60 to \$4.00 for each 500 pounds in excess of 5,000 pounds as part of the three year plan to increase fees in this category. On July 1, 1992 this fee was increased to \$6.00 for each such 500 pounds. The third increase to \$8.40 for each such 500 pounds became effective on July 1, 1993.

During January 1995 the Department established the Motor Carrier Service Section to support the trucking industry and entered into a base state agreement under the International Registration Plan ("IRP") for the collection and distribution of commercial registration fees for vehicles in excess of 26,000 pounds. Under IRP, commercial registration fee revenue is a function of the miles traveled in each state and the registration fee assessed by each state.

Since fiscal 1980, the average annual growth rate of registrations in the State has been 2.6% and the average annual growth rate of revenue from those registrations has been 3.8%, largely due to commercial fee increases enacted in fiscal 1992. Registration fee revenue growth since fiscal 1987 has varied from the growth in the number of vehicles registered. In fiscal 1987 and fiscal 1988, revenue increased faster than vehicles registered, whereas in fiscal 1989 and fiscal 1990 revenue decreased while the number of vehicles registered increased. The variances are primarily due to the option, beginning in fiscal 1987, for new car owners to elect a three year registration period. In fiscal 1991, growth in vehicles registered was flat but revenue increased 14.8% due to the implementation of a two year registration option

for used vehicles. Increases in commercial registration fees were phased in from fiscal 1992 through 1994, contributing to increases in revenue of 7.8%, 4.7% and 11.4%, respectively. The growth in registered vehicles from fiscal 2000 to fiscal 2005 was 17.1%. This motor vehicle growth rate is directly correlated to the population growth rate in Delaware.

Historical Summary of Vehicle Registrations and Revenue

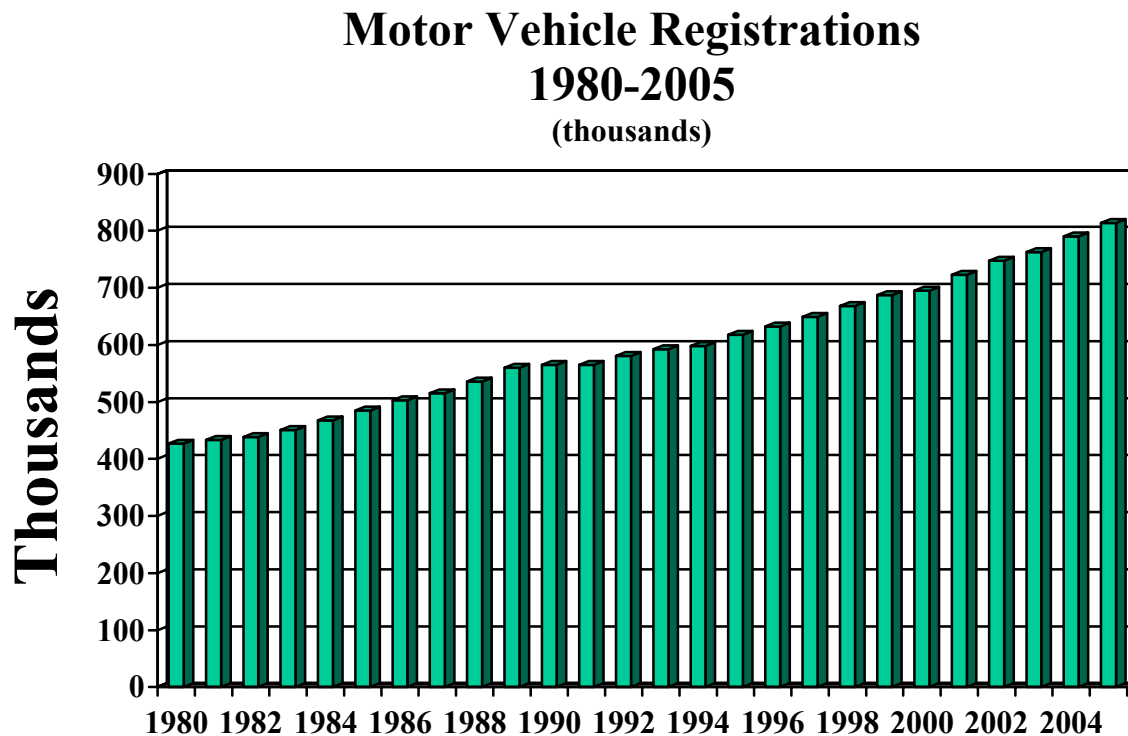
The following table shows the historical record of vehicle registrations and registration fees for the last twenty-six fiscal years:

History of Vehicle Registrations and Revenue (dollars in millions, vehicle registrations in thousands, percent change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Vehicle Registrations</u>	<u>Percent Change</u>	<u>Registration Revenue⁽¹⁾</u>	<u>Percent Change</u>
1980	426.9	---	\$12.4	---
1981	433.7	1.6	12.6	2.1
1982	438.7	1.2	12.6	(0.1)
1983	451.3	2.9	12.9	2.3
1984	468.0	3.7	13.5	4.6
1985	485.2	3.7	14.2	4.8
1986	503.0	3.7	14.4	1.6
1987	515.7	2.5	15.3	6.5
1988	536.0	3.9	16.2	5.7
1989	560.4	4.5	15.6	(3.7)
1990	565.0	0.8	14.9	(4.3)
1991	565.1	0.0	17.1 ⁽²⁾	14.8
1992	581.0	2.8	18.4 ⁽³⁾	7.8
1993	592.8	2.0	19.3 ⁽⁴⁾	4.7
1994	598.3	0.9	21.5 ⁽⁵⁾	11.4
1995	617.7	3.2	22.2 ⁽⁶⁾	3.3
1996	632.6	2.4	22.6 ⁽⁶⁾	1.8
1997	649.3	2.6	23.0 ⁽⁶⁾	1.6
1998	668.3	2.9	24.8 ⁽⁶⁾	8.0
1999	687.1	2.8	24.2 ⁽⁶⁾	(2.4)
2000	695.2	1.2	26.6 ⁽⁶⁾	10.1
2001	722.9	4.0	27.0 ⁽⁶⁾	1.0
2002	747.5	3.4	28.0 ⁽⁶⁾	4.0
2003	762.9	2.1	27.8 ⁽⁶⁾	(.7)
2004	790.0	3.5	28.3 ⁽⁶⁾	1.8
2005	814.3	3.1	30.2 ⁽⁶⁾	6.5

-
- (1) Effective October 1, 1986, new cars owners had the option to register the vehicle for a three year period. Commencing on October 1, 1999, new car owners had the option to register the cars for a four-year period or a five-year period for a fee equal to \$20.00 for each year in the period.
- (2) New and used vehicle owners had the option to renew the registration for a two year period commencing September 1, 1990.
- (3) Fee increase for vehicles in excess of 5,000 pounds effective October 1, 1991.
- (4) Fee increase for vehicles in excess of 5,000 pounds effective July 1, 1992.
- (5) Fee increase for vehicles in excess of 5,000 pounds effective July 1, 1993.
- (6) Net of refunds to other states under IRP.

graph: The growth of vehicle registrations in the previous table is illustrated in the following



Projections of Motor Vehicle Registration Fees

DEFAC has also projected the revenue from motor vehicle registration fees from fiscal 2006 through fiscal 2011. The number of motor vehicle registrations is expected to grow at an annual rate of approximately 3%, which is the historic average growth rate.

Projected Registration Fee Revenue⁽¹⁾
(vehicles in thousands and dollars in millions)

<u>Fiscal Year</u>	<u>Vehicles</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
2006	838.7	3.0 ⁽²⁾	\$30.5	1.0 ⁽²⁾
2007	863.9	3.0	31.2	2.3
2008	889.8	3.0	31.8	1.9
2009	916.5	3.0	32.4	1.9
2010	944.0	3.0	33.0	1.9
2011	972.3	3.0	33.6	1.8

- (1) Projections provided by DEFAC from its September 19, 2005 meeting. All amounts are net of refunds for IRP.
(2) Percentage change from actual fiscal 2005 results.

Miscellaneous Transportation Revenue

Pledged Miscellaneous Transportation Revenue

Motor carrier registration fees, operator license fees, titling fees, Division of Motor Vehicles record sales, vanity tag fees and other miscellaneous transportation related revenue which have been assigned by the State to the Trust Fund and which have been pledged by the Authority to secure the bonds are herein referred to as “Pledged Miscellaneous Transportation Revenue”.

Motor carrier registration fee revenue is collected with respect to trucks registered in Delaware and totaled \$4.3 million (net of refunds) in fiscal 2005. Motor carrier registration fees are comprised of the motor fuel road use tax, hauling permits, temporary operating permits, and penalty and interest. The road use tax is calculated based upon the miles traveled in Delaware, the average miles per gallon, the actual fuel purchased in Delaware and the rate of the motor fuel tax. To the extent that fuel purchases are less than fuel used, the truckers are taxed at the current motor fuel tax rate for the difference. If fuel purchases in the State exceed the amount of fuel used while traveling roads in Delaware, refunds are made to the motor carrier.

The State charges various fees for obtaining a driver's license. These fees vary from \$12.50 for a five year license to operate a passenger vehicle to \$20.50 for a five year taxi or motor carrier driver's license. The revenue from these fees was \$2.3 million in fiscal 2005, a 5.7% increase from fiscal 2004.

The Division of Motor Vehicles sells driver and vehicle records for \$15 per document and \$20 per certified document. Revenue from these sales was \$7.7 million in fiscal 2005. Motor vehicle titling fees are also charged by the Division of Motor Vehicles. Prior to August 1, 1991, a certificate of title cost \$4. Effective August 1, 1991, titling fees increased from \$4 to \$15. These fees generated \$6.2 million in revenue in fiscal 2005.

State residents may buy “vanity” license plates for their vehicles. Prior to July 1, 1997, the annual cost for a “vanity” license plate was \$40.00 in addition to the \$20.00 annual registration fee. Effective July 1, 1997, the annual cost was decreased to \$30.00 in addition to the \$20.00 annual registration fee. There were 9,899 “vanity tags” sold in fiscal 2005, generating revenue of \$.7 million. In addition to vanity tag revenue, the Department also receives other Division of Motor Vehicle revenue from the issuance of temporary tags and permits, reinstatement fees and nine other miscellaneous categories. Effective August 1, 1991, fees for temporary tags and permits each increased from \$4 to \$10. Revenue from other miscellaneous sources of Pledged Miscellaneous Transportation Revenue aggregated \$4.0 million in fiscal 2005.

Historical Summary of Pledged Miscellaneous Transportation Revenue

The following table outlines the history of revenue from these sources from fiscal 1980 through fiscal 2005.

History of Pledged Miscellaneous Transportation Revenue
(dollars in millions, percent change calculated from unrounded data)

<u>Fiscal Year</u>	Total Pledged Miscellaneous Transportation <u>Revenue</u>	<u>Percent</u> <u>Change</u>
1980	\$3.3	---
1981	3.4	(2.9)
1982	3.5 ⁽¹⁾	2.9
1983	3.8	8.6
1984	4.1	7.9
1985	4.4	7.3
1986	5.3 ⁽²⁾	20.5
1987	5.8 ⁽³⁾	9.4
1988	7.1 ⁽⁴⁾	22.4
1989	6.3	(11.3)
1990	7.0	11.1
1991	7.9 ⁽⁵⁾	12.9
1992	12.3 ⁽⁶⁾	55.7
1993	13.0	5.7
1994	12.9	(0.8)
1995	13.9 ⁽⁷⁾	7.8
1996	14.6	5.0
1997	15.5	6.2
1998	15.7	1.3
1999	15.8	0.6
2000	16.4	3.5
2001	17.4	6.2
2002	18.2	4.5
2003	17.3	(4.9)
2004	19.6	13.2
2005	24.5 ⁽⁸⁾	25.5

- (1) Motor Fuel Tax increased from 9 to 11 cents on August 1, 1981.
- (2) Titling Fee increased from \$2 to \$4 effective September 1, 1985.
- (3) Motor Fuel Tax increased from 11 to 13 cents on October 1, 1986.
- (4) Motor Fuel Tax increased from 13 to 16 cents on September 1, 1987. Sale of driver and vehicle records increased from \$2 to \$4 per copy effective July 1, 1987.
- (5) Fee increases for Vanity Tags (\$25 to \$28.75), Temporary Tags (\$2 to \$4), License Reinstatement Fees (\$125 to \$143.75) and Temporary Permits (\$2 to \$2.30) on July 1, 1990.
- (6) Motor Fuel Tax increased from 16 to 19 cents effective January 1, 1991. Titling fees increased from \$4 to \$15 effective August 1, 1991. Increases in miscellaneous motor vehicle fees (Vanity Tags, Temporary Tags and Temporary Permits) became effective August 1, 1991.
- (7) Hauling permits transferred from General Fund and rate on special fuels increased 3 cents from \$.19 to \$.22 per gallon effective January 1, 1995.
- (8) Driving and vehicle records increased from \$4 to \$15 per record and certified documents increased from \$8 to \$20 effective July 1, 2005.

Non-Pledged Miscellaneous Transportation Revenue

During its August 1999 legislative session, the General Assembly dedicated an annual amount of \$10,000,000 from its escheat revenues for transfer to the Transportation Trust Fund on an annual basis. In fiscal 2003, the \$10,000,000 escheat revenue was not transferred to the Transportation Trust Fund. Such escheat revenue was transferred to the Trust Fund in fiscal 2004 and fiscal 2005, and it is expected that it will also be transferred to the Transportation Fund in the fiscal years subsequent to fiscal 2005. During its June 1997 legislative session, the General Assembly approved the transfer of three revenue sources from the General Fund to the Trust Fund effective during fiscal 1998. These revenue sources, which totaled \$2.5 million in fiscal 2005, include: (1) the motor vehicle dealer handling fee assessed at \$2 for every vehicle sold by auto dealers; (2) the annual license fees for all motor vehicle dealers charged at \$100 per year; and (3) the motor vehicle use tax on lessees and lessors based on amount of lease payments. The tax rate for lessees is 1.92% of total amount and the rate for lessors is .288%. Effective January 1, 2006, the tax rate for lessees will be 1.54% of total amount and the rate for lessors will be .23%. In addition to transferring existing revenues to the Trust Fund, the General Assembly also approved the implementation of new fees to be assessed by the Department for the review of development plans. These fees, \$.5 million in fiscal 2005, are included in the projections of “Non-Pledged Miscellaneous Transportation Revenues” below and have not been pledged by the Authority to secure the Bonds.

The Department’s capital program requires the acquisition of real property in advance of actual construction. Once construction is completed, any property acquired for the project, but no longer needed, is sold. As a by-product of this process the Department manages a portfolio of properties awaiting construction or disposal. All such lease revenues are transferred to the Transportation Trust Fund, and in fiscal 2005 amounted to \$.2 million. These revenues are not pledged. The Department has provided preliminary forecasts through fiscal 2011 for this revenue stream which are included in the table below.

The amount of Non-Pledged Miscellaneous Transportation Revenue in 2005 contains approximately \$52.1 million which represents a one-time funding by the General Fund on a pass-through basis of certain programs for the Port of Wilmington, the Green Infrastructure Program and the Glenville Disaster Relief Program. It is not expected that these items will recur in future years. See APPENDIX “A” – Delaware Transportation Authority Transportation Trust Fund General Purpose Financial Statements Years Ended June 30, 2005 and 2004 for a description of these items.

Projections of Miscellaneous Transportation Revenue

Current Dedicated Sources. Projections for “Miscellaneous Transportation Revenue” through fiscal 2011 are shown below. These were approved at the September 19, 2005 meeting of DEFAC.

Projected Miscellaneous Transportation Revenue
(dollars in millions)

<u>Fiscal Year</u>	<u>Pledged Miscellaneous Transportation Revenues⁽¹⁾</u>	<u>Non-Pledged Miscellaneous Transportation Revenues⁽²⁾</u>	<u>Total Miscellaneous Transportation Revenue</u>	<u>Percent Change</u>
2006	\$25.9	\$95.1 ⁽³⁾	\$121.0	25.1 ⁽⁴⁾
2007	24.2	28.5	52.7	(56.5)
2008	24.6	22.5	47.1	(10.7)
2009	24.8	22.8	47.6	1.2
2010	25.1	22.9	48.0	0.8
2011	25.8	23.0	48.8	1.8

- (1) Provided by DEFAC from its September 19, 2005 meeting. Includes IFTA/Motor Carrier Fees, vanity tags, record sales, titles and other motor vehicle related fees, net of IFTA and DMV refunds.
- (2) Not pledged by the Authority to secure the Bonds. Excludes the tolls from Route 1 Toll Road and the DTC farebox. Includes \$10,000,000 in escheat revenue annually, real estate lease and sales proceeds, use tax on motor vehicle leases, motor vehicle handling and license fees, and development plan review fees, and various other transfers to the Trust Fund, a significant amount of which are not expected to recur in fiscal years subsequent to 2005.
- (3) Contains a \$72.9 million appropriation from the General Fund which is not expected to recur in future years.
- (4) Percentage change from actual 2005 results.

Projected Total Revenue Sources

The following table shows in the aggregate for fiscal years 2006 through 2011 the projections of total Pledged Revenue and Non-Pledged Revenue.

Projected Total Revenue Sources⁽¹⁾
(dollars in millions)

<u>Fiscal Year</u>	<u>Pledged Revenue⁽²⁾</u>	<u>Percent Change</u>	<u>Non-Pledged Revenue⁽⁴⁾</u>	<u>Percent Change</u>	<u>Total</u>	<u>Percent Change</u>
2006.....	\$333.9	11.0 ⁽³⁾	\$127.6 ⁽⁵⁾	24.5 ⁽³⁾	\$461.5	14.4 ⁽³⁾
2007.....	349.6	4.7	62.0	(51.4)	411.6	(10.8)
2008.....	353.9	1.2	56.4	(9.0)	410.3	(0.3)
2009.....	359.0	1.4	58.3	3.4	417.3	1.7
2010.....	363.1	1.1	59.4	1.8	422.5	1.2
2011.....	368.6	1.5	60.5	2.0	429.1	1.6

- (1) Delaware Turnpike toll and concession revenue, investment earnings, Route 1 Toll Revenue, motor fuel revenue, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and Non-Pledged Miscellaneous Transportation Revenue projected by DEFAC.
- (2) Includes Delaware Turnpike Revenues, motor fuel tax revenues, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and investment earnings.
- (3) Percentage change from actual 2005 result.
- (4) Route 1 Toll Revenue, \$10,000,000 in escheat revenues annually and other Non-Pledged Miscellaneous Transportation Revenues. Does not include DTC farebox transit revenue.
- (5) Contains a \$72.9 million appropriation from the General Fund which is not expected to recur in future years.

DEBT SERVICE REQUIREMENTS

The following table summarizes debt service requirements for the Authority's outstanding Senior and Junior Bonds, as well as the 2005 Bonds in each fiscal year ending June 30 (assuming July 1 payments are made on the previous June 30).

<u>Fiscal Year</u>	<u>Prior Outstanding Senior Bonds Debt Service</u>	<u>2005 Senior Bonds</u>		<u>Total Senior Bonds Debt Service</u>	<u>Total Junior Bonds Debt Service</u>	<u>Total Debt Service on all Senior and Junior Bonds⁽¹⁾</u>
		<u>Principal</u>	<u>Interest</u>			
2006	86,418,668	1,000,000	4,287,935	91,706,602	13,033,219	104,739,821
2007	87,045,268	1,000,000	7,310,745	95,356,013	13,034,625	108,390,638
2008	87,138,743	1,500,000	7,270,745	95,909,488	13,037,000	108,946,488
2009	81,061,168	6,990,000	7,210,745	95,261,913	13,035,750	108,297,663
2010	81,061,780	5,265,000	6,861,245	93,188,025		93,188,025
2011	68,631,068	15,365,000	6,597,995	90,594,063		90,594,063
2012	68,503,786	12,345,000	5,829,745	86,678,531		86,678,531
2013	64,104,749	12,220,000	5,212,495	81,537,244		81,537,244
2014	64,213,499	7,580,000	4,601,495	76,394,994		76,394,994
2015	59,159,549	7,870,000	4,222,495	71,252,044		71,252,044
2016	59,474,399	2,795,000	3,828,995	66,098,394		66,098,394
2017	45,761,274	11,505,000	3,689,245	60,955,519		60,955,519
2018	39,933,655	12,765,000	3,113,995	55,812,650		55,812,650
2019	40,089,568	8,105,000	2,475,745	50,670,313		50,670,313
2020	40,075,074	3,385,000	2,131,283	45,591,356		45,591,356
2021	33,216,761	4,680,000	1,987,420	39,884,181		39,884,181
2022	26,402,318	6,025,000	1,781,500	34,208,818		34,208,818
2023	19,598,845	6,135,000	1,480,250	27,214,095		27,214,095
2024	7,727,775	11,625,000	1,173,500	20,526,275		20,526,275
2025		11,845,000	592,250	12,437,250		12,437,250
Total	\$1,059,617,943	150,000,000	81,659,822	\$1,291,277,765	\$52,140,594	\$1,343,418,358

(1) Totals may not add due to rounding.

TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS

Capital Improvements Planning and Budgeting

Every year the Department prepares the Capital Transportation Program for the State's transportation system. The priorities reflected in the Capital Transportation Program are based on a rating formula which considers the following factors, among others, with respect to the State's transportation facilities: safety and condition; social, economic and environmental matters; seasonality of traffic; progress of improvement projects; and the availability of federal and State funds. The estimated cost of each program in the Capital Transportation Program must be approximately equal to the estimated federal and State funds available for transportation purposes during the applicable year. Each project included in the Capital Transportation Program represents a functionally distinct project. For example, if a major multi-year highway construction program is planned, the construction is planned in stages with each stage representing a fully functional portion of the overall project. The Capital Transportation Program is designed in this manner so that State appropriations for a project in one year will be sufficient to complete the project. Larger projects may be divided into two or more smaller projects, each of which can be functionally complete if built alone.

The Capital Transportation Program is presented as a plan to the Council on Transportation (the "Council" or "COT"), a nine member citizen committee created by State law to serve as an advisor with respect to transportation matters to the Governor, the Secretary and the Authority. The Council has final approval of and adopts the Capital Transportation Program after holding public hearings. The Council may make priority changes to the proposed Capital Transportation Program in an open meeting by documenting the reasons and justifications for the changes. If the Council fails to adopt a Capital Transportation Program after a reasonable period of time, the Secretary may, with the approval of the Governor and with forty days prior written notice to the Chairperson of the Council, give final approval to the Capital Transportation Program. The first year is the basis for the Department's portion of the State's annual capital budget which must be enacted into law before being implemented.

Capital Transportation Program

The Capital Transportation Program is a six-year planning document which is updated annually by the Department of Transportation, coordinated with the two Metropolitan Planning Organizations ("MPOs"), approved by the Council on Transportation and the first year of which is authorized by the General Assembly.

Based on the revised procedures required by federal legislation, the Intermodal Surface Transportation Efficiency Act of 1991 ("ISTEA"), the State and the MPOs are required to seek public input and develop a transportation improvement plan of projects of regional significance which will be funded with federal funds. This plan must assure Clean Air conformity; projects must be prioritized based on criteria established in the ISTEA legislation; and it must include at least a three-year plan of programs. Delaware has two MPOs, one serving the Wilmington urbanized area and representing all of New Castle County; and one serving the Dover urbanized area and which has been modified to represent all of Kent County. Sussex County does not have an urbanized area, and therefore is not represented by an MPO. The Department does, however, work closely with the County Council of Sussex County.

The Department has combined both requirements and developed a six-year Capital Transportation Program in coordination with the MPOs and Sussex County that expresses the Department's capital improvement plans to be authorized with funds from the Transportation Trust Fund as well as federal funds. The first year of the Capital Transportation Program becomes the Department's annual capital budget request and is authorized by the General Assembly and Governor before a project or program can be

enacted. Once enacted, the first year of the Capital Transportation Program becomes the Department's work program.

In preparing its capital spending plans through fiscal 2012, the Department has formulated its Capital Transportation Program by purpose and function for all modes of transportation. Listed below are the names and descriptions of each category which include transportation investments for all modes:

<i>Road System:</i>	Improvements to roads, bridges, and adjacent assets;
<i>Grants and Allocations:</i>	The Municipal Street Aid and Community Transportation Funds;
<i>Transit System:</i>	Investments in transit services including buses, rail, facilities, and other assets supporting transit users;
<i>Support System:</i> including	All other investments in the transportation network facilities, equipment, information systems, etc.

As described above, the Department prepares estimates of capital needs for the current year and also for the ensuing years in the Capital Transportation Program. The Department, however, cannot undertake or commit to projects in the proposed six year program without specific authorization by the State.

Capital Transportation Program (Fiscal 2007-Fiscal 2012)

The Capital Transportation Program (Fiscal 2007-2012) anticipates the authorization of \$805.3 million in Trust Fund dollars and \$242.5 million of other funds, including federal funds, for a total of \$1,047.7 million.

The following table reflects the Department's current six-year Capital Transportation Program for the period fiscal 2007 through fiscal 2012.

Capital Transportation Program (in thousands)

	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Total</u>
Road System	\$ 81,307	\$ 72,058	\$ 73,277	\$ 75,458	\$ 75,458	\$ 75,458	\$453,016
Grants and Allocations.....	22,483	23,157	23,872	25,333	25,333	25,333	145,511
Transit System	2,106	2,161	2,216	2,334	2,334	2,334	13,485
Support System.....	<u>28,185</u>	<u>30,899</u>	<u>31,634</u>	<u>34,179</u>	<u>34,179</u>	<u>34,179</u>	<u>193,255</u>
State Authorization	134,081	128,275	130,999	137,304	137,304	137,304	805,267
Federal/Other Authorization ...	<u>55,975</u>	<u>40,161</u>	<u>40,559</u>	<u>35,261</u>	<u>35,261</u>	<u>35,261</u>	<u>242,478</u>
Total Capital Authorization	<u>\$190,056</u>	<u>\$168,436</u>	<u>\$171,558</u>	<u>\$172,565</u>	<u>\$172,565</u>	<u>\$172,565</u>	<u>\$1,047,745</u>

The total Capital Transportation Program represents a capital program which is both deliverable by the Department and affordable within the Department's financial management guidelines. The Department also understands the need for a comprehensive long term transportation financing strategy that makes full use of innovative financing opportunities in order to maximize available funds.

The Capital Transportation Program for fiscal 2002 contained a \$27,500,000 loan which the Trust Fund made to the Diamond State Port Corporation (the "Port Corporation") to enable the Port Corporation to prepay or refinance certain obligations which it owed to the City of Wilmington related to the Port Corporation's acquisition of the Port of Wilmington from the City. The Port Corporation was obligated

to repay the loan to the Trust Fund over a 20-year term, which commenced in January, 2003. The Port Corporation has not performed its obligations with respect to the loan.

Effective July 1, 2005, the Port Corporation loan was restructured. Unpaid interest through January 1, 2006, in the amount of \$3,260,013 will be capitalized into the loan balance. The interest rate on the restructured loan will remain at 4.6%. The loan is to be repaid in 40 semi-annual payments of \$1,168,031, commencing on July 1, 2006, with the final payment to be made January 1, 2026.

The Department issued its General Obligation Bond Anticipation Note dated May 6, 2005, for \$40 million to PNC Bank (the "BAN") to provide funding for its capital program. The BAN matures on January 2, 2006 and is being funded from the proceeds of the 2005 Bonds.

The Department has begun a study of the feasibility of a material increase in the size of its six-year capital budget so as to add a number of large items to its program. The Department has determined that it will not change its requirement that 50% of its capital budget be funded from non-debt sources and that it will take all action necessary to preserve the current ratings on its Bonds. As a result, the Department will determine what additional sources of funds are available to it to fund the possible increases in its capital budget. One of the additional sources of funds being explored by the Department is the possibility of entering into a long-term lease or concession agreement covering the Delaware Turnpike with a private entity. The study is still ongoing.

Executive Order Number Sixty-Nine

Because of the increasing demands on the State's transportation system due to unprecedented traffic growth, limited resources for the design and construction of necessary projects to improve safety and provide needed mobility, and increases in the costs of land acquisition, labor and raw materials needed to construct and maintain a variety of transportation improvements, the Department has identified significant shortfalls of funding for the Trust Fund. In the absence of the development of increased resources for the Trust Fund, the State will be unable to provide, on a timely basis, key projects identified in the Department's Capital Transportation Program.

To address this concern and to ensure that the Department maintains its current excellent credit rating, on June 1, 2005, Governor Ruth Ann Minner signed into law Executive Order Number Sixty-Nine establishing a Transportation Development and Funding Options Committee (the "Committee") to recommend options for providing additional funding to, and accelerating the construction of, needed improvements overseen by the Department. The Committee consists of fifteen (15) members who are capable of making comprehensive recommendations as to the resource needs of the Department and who can examine, explore and evaluate options to undertake key transportation development initiatives. Additionally, the Committee shall examine proposals for increasing both short- and long-term resources for the Trust Fund for fiscal year 2007 and future years, so as to assure the continued timely planning, development and construction of the critical projects identified in the Department's Capital Transportation Program. The Committee will issue a report of its recommendations to the Governor and the General Assembly no later than November 30, 2005.

Federal Funds

Level of Funding

The State of Delaware has benefited from the authorizations granted under the Transportation Equity Act for the 21st Century (TEA-21) and will continue to do so under the Safe Accountable, Flexible, Efficient, Transportation Equity Act: a Legacy for Users (SAFETEA-LU). The State has and will continue to receive on average approximately \$162 million annually in apportionments

under the legislation. In addition, the State received \$8.4 million in discretionary funds for fiscal 2005 and will receive an additional \$168 million in earmarks over the life of SAFETEA-LU. The State will be applying for additional discretionary federal funds to continue the second and third phases of the I-95 reconstruction, transit facilities and transit vehicle purchases. The total federal funding anticipated under fiscal 2007-2012 plan will be approximately \$1,047.7 million.

On August 10, 2005, the President signed into law the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). With guaranteed funding for highways, highway safety, and public transportation totaling \$244.1 billion, SAFETEA-LU represents the largest surface transportation investment in our American history. The two landmark bills that brought surface transportation into the 21st Century – the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Transportation Equity Act for the 21st Century (TEA-21) shaped the highway program to meet the nation's changing transportation needs. SAFETEA-LU builds on this firm foundation, supplying the funds and refining the programmatic framework for investments needed to maintain and grow our vital transportation infrastructure. SAFETEA-LU promotes more efficient and effective Federal surface transportation programs by focusing on transportation issues of national significance, while giving State and local transportation decision makers more flexibility for solving transportation problems in their communities.

The Department currently is sanctioned 3% of federal funding yearly due to not passing open container requirements from TEA-21. The funds which the Department does not receive as a result of the sanction are from the National Highway System, Surface Transportation Program, and Interstate Maintenance programs. The approximate sanction for FY 2005 authorization is \$2.7 million. Some of these sanctioned dollars (\$1.8 million in FY 2005) do flow back to the Department from the Office of Public Safety in the form of safety work, such as guardrails, repairs and upgrades, and attenuators.

State Infrastructure Bank

The Department was awarded \$1.2 million during fiscal 1997 to capitalize the Delaware State Infrastructure Bank ("SIB"). These funds will be combined with the Department's federal apportionment and other State funding of \$4.8 million to provide low interest loans and/or credit enhancements to both the public and private sectors to support transportation projects. The first placement of these funds went to complete a portion of Route 1 Toll Road and will be repaid at a 5.2% interest rate over six years.

Application of Innovative Financing Techniques

As part of its capital programming process, the Department is currently reviewing the timing of federal apportionments to determine the potential expanded use of certain financing techniques available with federal funding. The Department is currently making use of "advanced construction" in the programming of federal funds in an effort to accelerate some projects. Other innovative financing techniques being employed include partial conversion of advanced construction and the tapering of federal funds in the payment of vendors on federal projects.

Current Financial Plan

The revenues sources described earlier are combined with the proceeds of the Transportation System Revenue Bonds and support from the federal government to fund the Department's total transportation budget - both operating and capital. The Department updates its six-year financial plan concurrent with the preparation of the annual operating and capital budgets.

The current financial plan assumes that the existing sources of revenues will meet projections without an increase in the rates.

In the event revenues or other sources fall short of projections, the Department will either request additional revenues from the General Assembly, reduce the transportation program or a combination of both. The reductions will be done to a level which results in the Department continuing to meet the parameters established in its financial management guidelines of paying for at least 50% of its capital program with current revenues with debt service coverage of at least 2.25 times.

The Budget Bill for fiscal 2004 included the transfer of the State's Division of Motor Vehicles, which was a State General Fund agency, to the Department of Transportation. The transfer resulted in the payment of additional expenses of approximately \$15 million per year from the Transportation Trust Fund as well as the receipt of several million dollars of additional revenue each year.

The table on the following page shows the anticipated financing plan assuming that the full implementation of the proposed Capital Transportation Program is approved by the State.

Transportation Trust Fund Financing Plan
(in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Beginning Cash</u>	\$66,683	\$73,960	\$50,004	\$50,039	\$50,032	\$50,045	\$50,015
<u>Existing Pledged Revenue</u>							
I-95 Tolls & Concessions	60,000	63,200	63,500	63,700	63,700	63,700	64,974
I-95 Toll Increase	29,000	38,500	39,270	40,055	40,856	41,673	42,506
Motor Fuel Tax Admin.	117,900	118,900	119,900	120,900	121,900	122,900	125,358
DMV Fees	120,500	121,500	124,200	126,800	129,600	132,800	136,120
Interest Income	<u>6,500</u>	<u>7,500</u>	<u>7,000</u>	<u>7,500</u>	<u>7,000</u>	<u>7,500</u>	<u>7,500</u>
Total Pledged Revenue	333,900	349,600	353,870	358,955	363,056	368,573	376,458
<u>Non-Pledged Revenues</u>							
SR-1 Tolls	32,500	33,500	34,000	35,500	36,500	37,500	38,438
Continuing General Fund Support	10,000	16,000	10,000	10,000	10,000	10,000	10,000
One Time General Fund Support/Pass-through	72,869	0	0	0	0	0	0
DE Transit (Farebox, FTA & Other)	14,253	14,332	14,705	15,089	15,577	16,086	16,488
Port of Wilmington – Refinancing	0	0	0	0	0	0	0
Other	<u>12,265</u>	<u>12,505</u>	<u>12,451</u>	<u>12,802</u>	<u>12,860</u>	<u>13,023</u>	<u>13,154</u>
Total Non-Pledged Revenue	141,887	76,337	71,155	73,391	74,937	76,609	78,079
Total Revenues (lines 15+24)	\$475,787	\$425,937	\$425,025	\$432,347	\$437,993	\$445,182	\$454,538
Borrowing	150,000	74,000	73,900	63,800	58,500	53,300	38,500
Resources Available (Lines 7+25+26)	<u>\$692,470</u>	<u>\$573,897</u>	<u>\$548,929</u>	<u>\$546,185</u>	<u>\$546,525</u>	<u>\$548,527</u>	<u>\$543,052</u>
<u>LESS:</u>							
<u>Debt Service</u>							
DTA Bonds & Notes	149,107	100,080	100,176	94,097	81,062	68,631	68,504
New Debt Service	5,500	15,029	22,547	29,038	34,990	40,412	44,329
State G.O. Bonds	<u>803</u>	<u>1,002</u>	<u>753</u>	<u>796</u>	<u>742</u>	<u>720</u>	<u>430</u>
Debt Service	155,410	115,110	123,476	123,931	116,794	109,763	113,263
<u>Operations</u>							
Department Operations	136,767	146,341	156,585	167,545	179,274	191,823	205,250
Grants Aid Act – GF Support of DelDOT M&O	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Delaware Transit Corp. Operations	<u>74,333</u>	<u>79,537</u>	<u>85,104</u>	<u>91,061</u>	<u>97,436</u>	<u>104,256</u>	<u>111,554</u>
Total Operations	197,100	211,877	227,689	244,607	262,709	282,079	302,804
Total Operations & Debt.	\$352,510	\$327,987	\$351,165	\$368,538	\$379,503	\$391,842	\$416,068
State Cash Flow (lines 28-43)	<u>\$339,960</u>	<u>\$245,909</u>	<u>\$197,765</u>	<u>\$177,648</u>	<u>\$167,022</u>	<u>\$156,685</u>	<u>\$126,985</u>
Total State Capital Spending	266,000	195,905	147,726	127,616	116,977	106,670	76,930
Federal Capital Spending	235,100	140,784	146,217	148,283	153,010	157,888	159,900
Total Capital Spending	\$501,100	\$336,689	\$293,943	\$275,899	\$269,987	\$264,558	\$236,830
<u>Ending Cash</u>	\$73,960	\$50,004	\$50,039	\$50,032	\$50,045	\$50,015	\$50,055
State Pay-Go Revenue (lines 25-43)	123,277	97,949	73,861	63,809	58,490	53,340	38,470
State Spend	266,000	195,905	147,726	127,616	116,977	106,670	76,930
Pay Go Percentage	46.3%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Senior Bonds Test	3.22	3.35	3.16	3.19	3.07	3.31	3.27
Authorized/Unexpended State Capital Authorization	680,227	807,327	745,503	726,052	729,435	749,762	780,396
State Capital Authorization – Bond Bill	393,100	134,081	128,275	130,999	137,304	137,304	137,304
State Capital Spending	(266,000)	(195,905)	(147,726)	(127,616)	(116,977)	(106,670)	(76,930)
Authorized/Unexpended	807,327	745,503	726,052	729,435	749,762	780,396	840,770

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2005 Bonds. The 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the 2005 Bonds in the aggregate principal amount of such maturity and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor's highest rating: AAA. The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2005 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2005 Bonds except in the event that use of the book-entry system for the 2005 Bonds is discontinued.

To facilitate subsequent transfers, all 2005 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2005 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the 2005

Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2005 Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC shall be the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2005 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC; the Authority takes no responsibility for the accuracy thereof.

LITIGATION

Except as hereinafter described, there is no litigation pending or, to the knowledge of the Authority, threatened in any court or administrative body, questioning the enforceability of the Act, the statutes imposing the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees, the Miscellaneous Transportation Revenue or the transfer of that revenue to the Authority, the existence of the Authority, the validity of the 2005 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2005 Bonds or questioning the power of the Authority to collect, pledge and assign revenue of the Delaware Turnpike, or to pay the 2005 Bonds as provided in the Agreement.

The Authority continues to review the impact, if any, of judicial decisions on Trust Fund revenue sources. The Authority plans to take whatever action may be required with respect to any required revisions to the Trust Fund revenue and expenditure plan, with the end result that there will be a revenue neutral impact on the Trust Fund. In the event that any such changes require approval by the State, the Authority expects that the State will enact any such changes requested by the Authority.

INDEPENDENT AUDITORS AND TRANSPORTATION CONSULTANT

The financial statements of the Authority's Transportation Trust Fund for fiscal 2005 and 2004 included as APPENDIX A to this Official Statement have been examined by Santora, Starr and Baffone, independent auditors, whose report thereon appears therein.

The Transportation Consultant's Report included as APPENDIX E to this Official Statement has been prepared by URS Corporation. The Transportation Consultant's Report is based on historical data provided by the Authority and the Department of Public Safety and their own forecasts of population, and certain other factors. This report has been included in this Official Statement in reliance on URS' knowledge and experience in examining and projecting such matters. Unanticipated events and circumstances may occur which would affect the forecasts contained therein. Therefore, the actual results achieved during the forecast period may vary materially from those forecasted.

FINANCIAL ADVISOR

Public Financial Management, Inc. has served as financial advisor to the Authority in connection with the sale of the 2005 Bonds.

TRUSTEE

The Trustee for the holders of the 2005 Bonds, as well as the Authority's outstanding Senior Bonds and Junior Bonds, is Wilmington Trust Company. Wilmington Trust Company, as escrow agent, holds funds for the payment of certain defeased indebtedness of the Authority.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned the 2005 Bonds maturing from July 1, 2009 to July 1, 2021, inclusive which will be insured by a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company (the "Insured 2005 Bonds") a rating of "Aaa" and Standard & Poor's ("S&P") has assigned the Insured 2005 Bonds a rating of "AAA". The ratings on the Insured 2005 Bonds reflect the issuance of a municipal bond new issue insurance policy insuring the payment of principal and interest on the Insured 2005 Bonds. The 2005 Bonds maturing from July 1, 2006 to July 1, 2008, inclusive and from July 1, 2022 to July 1, 2025, inclusive (the "Non-Insured 2005 Bonds"), are not insured by any insurance policy. Moody's has assigned the Non-Insured 2005 Bonds a rating of "Aa3" and S&P has assigned the Non-Insured 2005 Bonds a rating of "AA".

A bond rating is not a recommendation to buy, sell or hold bonds. The rating represents a judgment as to the likelihood of timely payment of the 2005 Bonds according to their terms but does not address the likelihood of redemption or other payments of the 2005 Bonds prior to maturity. There is no assurance that any of the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse affect on the market price or marketability of the 2005 Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same.

LEGALITY FOR INVESTMENT

The Act provides that the 2005 Bonds are securities in which all officers of political subdivisions, administrative departments, boards and commissions of the State, all banks, bankers, savings banks and institutions, building and loan associations, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business; all insurance companies, insurance associations and other persons carrying on an insurance business; all administrators, executors, guardians, trustees and other fiduciaries; and all other persons whatsoever who now are or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital, belonging to them or within their control.

The Act also provides that the 2005 Bonds may be properly and legally deposited with and received by any officer of the State, or of any political subdivision or agency of the State, for any purpose for which the deposit of bonds or other obligations of the State is now, or may hereafter be, authorized by law.

CONTINUING DISCLOSURE UNDERTAKING

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (the “Rule”) prohibits an underwriter from purchasing or selling municipal securities, such as the 2005 Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material “obligated persons” (each, a “MOP”) have committed to provide (i) on an annual basis, certain financial information, including financial information and operating data (“Annual Reports”), to each Nationally Recognized Municipal Securities Information Repository (a “NRMSIR”) and the relevant state information repository (if any) and (ii) notice of various events described in the Rule, if material (“Event Notices”), to each NRMSIR or the MSRB and to any such state information repository.

The Authority will agree with the purchasers of the 2005 Bonds, by executing a supplement to the Continuing Disclosure Agreement executed in connection with the issuance of its 1997 Series Bonds prior to the issuance of the 2005 Bonds, to provide Annual Reports with respect to itself to each NRMSIR and to any Delaware information repository that is formed. The Authority has determined that there currently is no other MOP for purposes of the Rule. The Authority will provide Event Notices to the Municipal Securities Rulemaking Board and to any Delaware information repository. A form of the Continuing Disclosure Agreement appears as Appendix C to this Official Statement.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the “Code”) contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2005 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2005 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the 2005 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest (including accrued original issue discount) on the 2005 Bonds is not includable in gross income for purposes of federal income taxation under existing

statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2005 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2005 Bonds to be so includable in gross income retroactive to the date of issuance of the 2005 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2005 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2005 Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2005 Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax", "Branch Profits Tax", "S Corporations with Passive Investment Income", "Social Security and Railroad Retirement Benefits", "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations", "Property or Casualty Insurance Company" and "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" below.

In the opinion of Bond Counsel, under existing law, the 2005 Bonds, the interest on the 2005 Bonds and their transfer shall be exempt from taxation by The State of Delaware and its political subdivisions, except for estate, inheritance or gift taxes imposed by The State of Delaware.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the 2005 Bonds) is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income". For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the 2005 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income". Thus, interest on the 2005 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the 2005 Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2005 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2005 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The 2005 Bonds maturing on July 1 of the years 2020 and 2021, inclusive, are herein referred to as the "Discount Bonds." In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the cover page and the stated redemption price at maturity of each such Bond constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Delaware tax treatment of original issue discount.

The 2005 Bonds maturing on July 1 of the years 2006 through 2019, inclusive, and of the years 2022 through 2025, inclusive, are hereinafter referred to as the "Premium Bonds". An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

APPROVAL OF LEGAL PROCEEDINGS

The authorization and issuance of the 2005 Bonds are subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware, whose legal opinion will be available at the time of the delivery of the 2005 Bonds. A Deputy Attorney General of the State will approve certain legal matters for the Authority.

The agreement of the Authority with the holders of the 2005 Bonds is set forth in full in the Agreement, and neither any advertisement of the 2005 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 2005 Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The execution and distribution of this Official Statement by the undersigned and its distribution to prospective purchasers has been duly authorized by the Authority.

DELAWARE TRANSPORTATION AUTHORITY

By: Secretary of Department of Transportation

_____/s/ Nathan Hayward III

Director of Finance

_____/s/ Kathy S. English

Transportation Trust Fund Administrator

_____/s/ John D. Nauman

APPENDIX A

Delaware Transportation Authority
Transportation Trust Fund
General Purpose Financial Statements
Years Ended June 30, 2005
and June 30, 2004

**Delaware Transportation Authority
Transportation Trust Fund**

**Financial Statements and
Independent Auditors' Report**

June 30, 2005 and 2004

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Delaware Transportation Authority Transportation Trust Fund

Management's Discussion and Analysis

This section of the Delaware Transportation Authority (the Authority) Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal year ended June 30, 2005.

Background

In 1987, to facilitate the Authority's development of a unified transportation system in the State of Delaware (the State) and to take advantage of the Authority's broad financing powers, the Trust Fund was created to consolidate and dedicate transportation-related revenue to transportation projects and to provide a flexible mechanism to handle the increasing funding requirements over time for all transportation projects in the State. The Trust Fund is the State's financing vehicle for transportation, operating, and capital expenditures. Funding for such expenditures is derived from bond proceeds, excess Trust Fund revenue, and cash balances.

The Trust Fund has pledged the following revenue to secure their outstanding bonds: Motor Fuel Taxes, Delaware Turnpike Tolls and Concessions, Motor Vehicle Document and Registration Fees, Miscellaneous Transportation Revenue, including operator license and titling fees, and investment earnings. Route 1 (SR-1) toll road revenue and certain miscellaneous revenues, including transfers from the State of Delaware General Fund, have not been pledged and, therefore, are not used to secure the Trust Fund's bonds.

Financial Highlights

- Motor vehicle document fee revenue was \$65.7 million, a 5.1% increase over fiscal year 2004.
- Motor vehicle registration fee revenue was \$30.2 million, a 6.7% increase over fiscal year 2004.
- Other motor vehicle revenue totaled \$20.3 million, a 37.2% increase over fiscal year 2004.
- Toll revenues on SR-1 reached \$30.2 million, an 11.4% increase over fiscal year 2004, and traffic increased 9.4% to 35.3 million vehicles.
- Total Trust Fund operating revenues increased to \$329.9 million, a 2.6% increase over fiscal year 2004.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

- The Authority took advantage of the low interest rates and went to the bond market in October 2004 by issuing \$100.2 million of new money bonds and refunding \$67.4 million.
- In May 2005, the Authority issued a \$40 million General Obligation Bond Anticipation Note to PNC Bank to provide interim financing for the Department of Transportation's (the Department) capital program in anticipation of issuance of long-term bonds. The note is due and payable on October 3, 2005.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) notes to the financial statements, and 4) other supplementary information.

The financial statements provide both long-term and short-term information about the Trust Fund's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Trust Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets.

Financial Analysis of the Trust Fund

Balance Sheets

The Trust Fund's total assets decreased 2.2% to \$1,218.9 million, and total liabilities increased 9.3% to \$971.7 million. Net assets at June 30, 2005 were \$247.2 million, a 30.9% decrease from June 30, 2004.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Transportation Trust Fund's Net Assets
(in millions of dollars)

	<u>2005</u>	<u>2004</u>	<u>Percentage Change 2005-2004</u>
Current assets	\$ 147.3	\$ 159.1	(7.4)
Capital assets	992.1	984.2	0.8
Other noncurrent assets	<u>79.5</u>	<u>103.0</u>	(22.8)
Total assets	<u>\$1,218.9</u>	<u>\$1,246.3</u>	(2.2)
Current liabilities	\$ 127.1	\$ 86.5	46.9
Bonds payable – long-term	803.3	761.6	5.5
Other noncurrent liabilities	<u>41.3</u>	<u>40.7</u>	1.5
Total liabilities	<u>\$ 971.7</u>	<u>\$ 888.8</u>	9.3
Net assets			
Invested in capital assets, net of debt	\$ 90.4	\$ 168.7	(46.4)
Unrestricted	<u>156.8</u>	<u>188.8</u>	(16.9)
Total net assets	<u>\$ 247.2</u>	<u>\$ 357.5</u>	(30.9)

The decrease in current and noncurrent assets is attributed to a decrease in investments due to increased spending and delayed borrowing. The increase in current liabilities is primarily due to the \$40 million general obligation bond anticipation note.

Change in Net Assets

The decrease in net assets at June 30, 2005 was \$110.3 million or 30.9% as compared to June 30, 2004. The Trust Fund's total operating revenues increased 2.6% to \$329.9 million, and total operating expenses increased 23.1% to \$476.9 million.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Change in the Transportation Trust Fund's Net Assets
(in millions of dollars)

	<u>2005</u>	<u>2004</u>	Percentage Change <u>2005-2004</u>
Operating revenues			
Turnpike revenues	\$ 90.9	\$ 90.0	1.0
Motor fuel tax	113.7	112.4	1.2
Motor vehicle document fee	65.7	62.5	5.1
Motor vehicle registration fee	30.2	28.3	6.7
Other motor vehicle revenue	20.3	14.8	37.2
International Fuel Tax Agreement	4.2	4.8	(12.5)
Federal highway reimbursements	-	1.6	(100.0)
Property management revenue	0.1	0.1	-
Miscellaneous revenue	<u>4.8</u>	<u>7.0</u>	(31.4)
Total operating revenues	\$ <u>329.9</u>	\$ <u>321.5</u>	2.6
Operating expenses			
Expressways Operations/Toll			
Administration and interstate			
operating expenses	\$ 14.3	\$ 15.1	(5.3)
Claims and judgments	0.2	0.2	-
Expenses in accordance with			
Trust Agreement	460.8	371.3	24.1
State General Fund debt service	0.6	0.6	-
Depreciation	0.2	0.2	-
Financing expenses	<u>0.8</u>	<u>-</u>	100.0
Total operating expenses	\$ <u>476.9</u>	\$ <u>387.4</u>	23.1
Operating loss	\$(147.0)	\$ (65.9)	(123.1)
Nonoperating expenses	(30.7)	(30.5)	(0.7)
Capital contributions	<u>67.4</u>	<u>37.1</u>	81.7
Change in net assets	(110.3)	(59.3)	(86.0)
Total net assets - beginning of year	<u>357.5</u>	<u>416.8</u>	(14.2)
Total net assets - end of year	\$ <u>247.2</u>	\$ <u>357.5</u>	(30.9)

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

The \$5.5 million increase in other motor vehicle revenue is primarily due to a fee increase for record sales from \$4 to \$15 per record and a fee increase for certified records from \$8 to \$20 per record. The \$89.5 million increase in expenses in accordance with Trust Agreement is due to additional capital and operational spending by the Department. In fiscal year 2004, the State elected to operate its own E-ZPass operations and received approximately \$7.6 million from the regional consortium to cover various transition costs. Of that amount, \$2.7 million is included in current year revenues and expenses.

During fiscal year 2005, the following capital contributions (\$67.4 million) were received from the General Fund: \$2.5 million of Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees, annual \$10 million escheat appropriation, \$2.8 million for the DMV, \$15 million for the Port of Wilmington, \$15 million for Glenville disaster recovery, and \$22.1 million for Green infrastructure program.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2005, the Trust Fund had invested \$994.5 million in capital assets, including roads, bridges, buildings, land, and equipment. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2005 totaled \$992.1 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$7.9 million, a 0.8% increase over June 30, 2004.

The State is using the "Modified Approach" for determining condition assessments on their roads and bridges. The modified approach requires that the State initially set a percentage benchmark for maintaining their infrastructure in good or better condition and report at least every three years on their condition assessments.

It is the State's policy to maintain at least 75% of their highways and bridge systems at a good or better condition level as follows:

The condition of the road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

The condition of the bridges is measured using the "Bridge Condition Rating" (BCR) which is based on the Federal Highway Administration's (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 4 for substandard bridges to 9 for bridges in perfect condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges are taken as those with ratings of 6 to 9, with 5 being assessed a fair rating.

The Department performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every year and bridge condition assessments are conducted, for the most part, every two years.

At December 31, 2004, 94% of the Trust Fund's roadway condition assessments were in the good or better category, an 3.7% increase over 2003; 87.9% of the bridge structures were in the good or better category, a 1.8% decrease from 2003, and 96.5% of the bridge deck ratings were in the good or better category, a 0.5% decrease over 2003.

Estimated costs for roadway preservation and maintenance for the year ended June 30, 2005 were \$4.5 million, and actual costs were \$10.5 million. The difference of \$6 million is primarily attributed to increased material prices for steel, lumber, and concrete.

Debt Administration

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2005, the Authority had \$861.7 million in revenue bonds outstanding, a 5.7% increase over June 30, 2004. During the past year, \$100.2 million of new money bonds were issued, and \$67.4 million of bonds were refunded. Of the ten outstanding bond issues, one has an AA rating from S&P and an A1 rating from Moody's. The remaining nine issues are rated AAA by S&P and Aaa by Moody's.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget

Steadily rising interest rates will ultimately slow the economy's growth. If policymakers are able to raise rates in a measured way, then the economy's transition to slower growth will be a graceful one. Rate-sensitive parts of the economy, such as the vehicle and housing markets, will cool, but will not cave. Risks still abound for the housing market as long-term interest rates have only just begun to edge upward. So far the shift in rates has been moderate and orderly, which is consistent with consensus forecasts. But should they spike upward swiftly, there remains considerable risk for price corrections. Delaware's housing economy has helped fuel the Delaware economy significantly the last few years. Auto sales moderation will continue into next year as interest rates gradually push higher. The outlook will be determined by several factors: the strength of income and job growth, affordability (the interaction between prices, financing costs, and income), and the extent of spent-up demand. However, continued rises in input costs, particularly energy costs, do pose a serious downside risk for manufacturers, and cutbacks in other expenditures, such as labor, could be stepped up in order to absorb the higher costs. The principal near-term threats to this sanguine outlook, including mounting political uncertainty and higher energy prices, are significant.

The Department's fiscal year 2006 Operating Annual Budget adopted by the General Assembly in June 2005 totals \$293.9 million and the fiscal year 2006 Capital Improvement Act totals \$393.1 million in State authorized funds. The Capital Improvement Act authorizes funding of the following improvements: \$345 million of Road System, \$21.6 million of Grants and Allocations, \$.4 million of Transit System, and \$26.1 million for Support System. The Capital Improvement Act authorizes an additional \$91 million in federal funding and \$1 million from other sources. The spending of these capital authorizations will occur over several years. The capital spending forecast for fiscal year 2006 is \$501.1 million, inclusive of \$266 and \$235.1 million in State and federal, respectively. The Grants-In-Aid Act amended the Operations Act by transferring support of \$14 million from the General Fund to cover the Department's operations' cost in the maintenance and operations' budget unit. Additionally, in this year's authorizations, the Department will receive a \$72.9 million transfer from the Office of Management and Budget (OMB) to support the Department's operations.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Contacting the Trust Fund's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Trust Fund's finances and to demonstrate the Trust Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware Department of Transportation, Finance Unit, P.O. Box 778, Dover, DE 19903.

Independent Auditors' Report

To the Administrators
Delaware Transportation Authority
Transportation Trust Fund
Dover, Delaware

We have audited the accompanying financial statements of the business-type activities of the Delaware Transportation Authority, Transportation Trust Fund as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Delaware Transportation Authority, Transportation Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements of the Delaware Transportation Authority, Transportation Trust Fund are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities that is attributable to the transactions of the Delaware Transportation Authority, Transportation Trust Fund. They do not purport to, and do not, present fairly the financial position of the State of Delaware as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Delaware Transportation Authority, Transportation Trust Fund as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Administrators

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2005, on our consideration of the Delaware Transportation Authority, Transportation Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Management's discussion and analysis and required supplementary information for governments that use the modified approach for infrastructure assets on pages 4 through 11 and 42 through 43 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Delaware Transportation Authority, Transportation Trust Fund. The additional information listed in the table of contents and presented on pages 47 through 57 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion or any other form of assurance on the additional information.

A handwritten signature in black ink, appearing to read "Sunter CPA Group", written over a horizontal line.

August 18, 2005
Newark, Delaware

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheets

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,502,870	\$ 1,750,449
Investments - at fair value	142,849,132	155,127,546
Accrued interest receivable	800,000	921,036
Accounts receivable	<u>1,121,266</u>	<u>1,278,820</u>
Total current assets	147,273,268	159,077,851
NONCURRENT ASSETS		
Capital assets		
Infrastructure and land	986,604,489	978,484,247
Buildings and land improvements	<u>7,847,309</u>	<u>7,847,309</u>
	994,451,798	986,331,556
Less: accumulated depreciation	<u>2,341,609</u>	<u>2,149,564</u>
Capital assets	992,110,189	984,181,992
Investments - at fair value	49,247,422	73,159,607
Accrued interest receivable	591,895	1,259,707
Loans receivable	<u>29,663,371</u>	<u>28,631,246</u>
Total noncurrent assets	<u>1,071,612,877</u>	<u>1,087,232,552</u>
 TOTAL ASSETS	 <u><u>\$ 1,218,886,145</u></u>	 <u><u>\$ 1,246,310,403</u></u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheets

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES		
Accounts payable	\$ 6,803,252	\$ 9,062,421
Accrued payroll payable	261,044	226,389
Compensated absences payable	100,409	64,712
Deferred revenue - E-ZPass	366,419	3,031,991
Note payable	40,000,000	-
Bonds payable	58,445,000	53,920,000
Interest payable	<u>21,176,509</u>	<u>20,238,072</u>
Total current liabilities	127,152,633	86,543,585
NONCURRENT LIABILITIES		
Compensated absences - net of current portion	197,552	214,526
Claims and judgments	11,325,229	11,083,932
Bonds payable - net of current portion	803,265,000	761,585,000
Bond issue premium - net of accumulated amortization	<u>29,782,525</u>	<u>29,382,368</u>
Total noncurrent liabilities	<u>844,570,306</u>	<u>802,265,826</u>
Total liabilities	971,722,939	888,809,411
NET ASSETS		
Invested in capital assets - net of related debt	90,400,189	168,676,992
Unrestricted	<u>156,763,017</u>	<u>188,824,000</u>
Total net assets	<u>247,163,206</u>	<u>357,500,992</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,218,886,145</u></u>	<u><u>\$ 1,246,310,403</u></u>

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Revenues, Expenses, and
Change in Net Assets**

For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Pledged revenue		
Turnpike revenue	\$ 60,703,200	\$ 62,861,026
Motor fuel tax revenue	113,663,312	112,434,740
Motor vehicle document fee revenue	65,700,234	62,545,831
Motor vehicle registration fee revenue	30,188,939	28,342,067
Other motor vehicle revenue	20,290,958	14,774,746
International Fuel Tax Agreement revenue	<u>4,253,888</u>	<u>4,790,452</u>
Total pledged revenue	294,800,531	285,748,862
Toll revenue - Delaware SR-1	30,161,375	27,100,947
Federal highway reimbursements	-	1,570,112
Property management revenue	173,854	147,090
E-ZPass expense reimbursements	2,665,572	4,246,306
Miscellaneous revenue	<u>2,106,609</u>	<u>2,713,215</u>
Total operating revenues	329,907,941	321,526,532
OPERATING EXPENSES		
Expressways Operations/Toll Administration and interstate operating expenses	14,255,321	15,178,345
Claims and judgments	241,297	170,095
Expenses in accordance with Trust Agreement	460,838,313	371,331,250
State General Fund debt service	546,089	621,553
Depreciation	192,045	192,045
Financing expenses	<u>833,029</u>	<u>2,760</u>
Total operating expenses	<u>476,906,094</u>	<u>387,496,048</u>
OPERATING LOSS	(146,998,153)	(65,969,516)

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Revenues, Expenses, and
Change in Net Assets (Continued)**

For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
NONOPERATING REVENUES (EXPENSES)		
Pledged revenue - income from investments (net of fees)	\$ 6,019,636	\$ 5,981,028
Net increase (decrease) in the fair value of investments	156,843	(2,099,056)
Accrued interest from bond sales	401,223	-
Interest expense	<u>(37,332,824)</u>	<u>(34,357,809)</u>
Excess of nonoperating expenses over revenues	<u>(30,755,122)</u>	<u>(30,475,837)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(177,753,275)	(96,445,353)
CAPITAL CONTRIBUTIONS	<u>67,415,489</u>	<u>37,061,889</u>
CHANGE IN NET ASSETS	(110,337,786)	(59,383,464)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>357,500,992</u>	<u>416,884,456</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 247,163,206</u></u>	<u><u>\$ 357,500,992</u></u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Statements of Cash Flows

For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 327,399,923	\$ 318,523,026
Other receipts	-	1,570,112
Payments to employees	(6,458,952)	(6,179,815)
Payments to suppliers	<u>(472,219,591)</u>	<u>(380,302,962)</u>
Net cash flows used in operating activities	(151,278,620)	(66,389,639)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from State General Fund - capital contributions	<u>67,415,489</u>	<u>37,061,889</u>
Net cash flows provided by noncapital financing activity	67,415,489	37,061,889
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of bond principal	(53,920,000)	(47,640,000)
Payment to escrow agent for refunding of bonds	(67,425,000)	-
Proceeds from bond sale	167,550,000	-
Proceeds from issuance of note	40,000,000	-
Repayment from Diamond State Port Corporation	-	426,420
Loan to Delaware Department of Transportation	-	(753,694)
Repayment from Delaware Department of Transportation	879,247	-
Premium from bond sale	9,223,338	-
Acquisition of capital assets	(8,120,242)	(15,407,966)
Payments of interest	<u>(45,217,568)</u>	<u>(38,299,588)</u>
Net cash flows provided by (used in) capital and related financing activities	42,969,775	(101,674,828)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	41,192,327	133,155,210
Purchase of investments	(4,844,885)	(7,460,120)
Interest received	<u>5,298,335</u>	<u>5,000,776</u>
Net cash flows provided by investing activities	<u>41,645,777</u>	<u>130,695,866</u>
Net increase (decrease) in cash and cash equivalents	752,421	(306,712)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,750,449</u>	<u>2,057,161</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,502,870</u></u>	<u><u>\$ 1,750,449</u></u>

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Net operating loss	\$ (146,998,153)	\$ (65,969,516)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation	192,045	192,045
Changes in assets and liabilities		
Decrease in accounts receivable	157,554	1,549,587
Increase (decrease) in accounts payable	(2,259,169)	678,415
Increase (decrease) in accrued payroll and related expenses	53,378	(27,284)
Decrease in deferred revenue	(2,665,572)	(2,982,981)
Increase in other accrued expenses	<u>241,297</u>	<u>170,095</u>
Net cash used in operating activities	<u>\$ (151,278,620)</u>	<u>\$ (66,389,639)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest capitalized on Diamond State Port Corporation loan	<u>\$ 1,911,372</u>	<u>\$ -</u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements

Note A - Organization and Trust Agreements

1. Organization

The Delaware Transportation Authority (the Authority) is a body corporate and politic constituting an instrumentality of the State of Delaware (the State). The Department of Transportation (the Department) has overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, and specialized transportation in the State, subject to oversight by the Department and the State.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund) within the Authority, which is the recipient of all revenue and receipts of the Authority. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads, both of which the Authority owns and operates. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects.

The Authority also has the power to issue bonds, with the approval of the State, to finance improvements to the State's transportation system.

2. Trust Agreements

The provisions of the Trust Agreements govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note A - Organization and Trust Agreements (Continued)

2. Trust Agreements (Continued)

The Trust Agreements in effect at June 30, 2005 and 2004 are the Motor Fuel Tax Revenue Bond Trust Agreement, dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement, dated August 1, 1988, as supplemented.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting

The Authority maintains its accounts on a basis of accounting as described in the Trust Agreements. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

The Authority operates as an enterprise fund. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, short-term money market securities, and other deposits held by financial institutions, generally with original maturities of three months or less.

3. Allowance for Doubtful Accounts

Accounts receivable are expected to be fully collectible at June 30, 2005 and 2004, and accordingly, a provision for uncollectible accounts has not been established.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

4. Investments

Investments are recorded at their fair value. Investments at June 30, 2005 and 2004 consisted of United States Government Obligations and Commercial Paper classified as "Qualified Investments" by the Trust Agreement.

5. Budgets

Budgets are adopted for Expressways Operations/Toll Administration operating expenses on a basis consistent with accounting principles generally accepted in the United States of America. Unencumbered appropriations for annually budgeted funds lapse at fiscal year end.

6. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Financial Accounting Standards Board (FASB) Pronouncements

The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

8. Capital Assets

Capital assets, which include buildings, land, land improvements, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the enterprise fund financial statements.

It is the policy of the State to capitalize land and buildings, regardless of cost, to capitalize improvements to land and buildings when the costs of projects exceed \$100,000, and to capitalize infrastructure when the

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

8. Capital Assets (Continued)

costs of individual items or projects exceed \$1 million. The Trust Fund follows the State's policy with the exception of improvements to land and buildings, which are capitalized, regardless of cost.

Such assets are recorded at historical cost or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings and land improvements are depreciated on a straight-line basis.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The "modified approach" to account for roads and bridges has been elected, as provided by GASB No. 34. Under this process, the Authority does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Authority to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

The Authority maintains two asset management systems, one for the roads and one for the bridges. In addition, the Authority completes condition assessments on its roads every year and on its bridges at least every two years.

Buildings and land improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	15

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

9. Compensated Absences

Compensated absences are absences for which Expressways Operations/Toll Administration employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees are accounted for in the period in which such services are rendered or such events take place.

10. Bond Issue Premium

Amortization of bond issue premiums/discounts is provided using the effective interest method over the life of the bond issue. Amortization taken in 2005 and 2004 was \$7,418,587 and \$6,241,846, respectively.

11. Revenues and Expenses

The Authority defines nonoperating revenues as investment and interest income. All other revenues are derived from normal operations of the Authority. Nonoperating expenses are defined as interest expense. All other expenses are a result of normal operations.

12. Changes in Accounting Principles

The Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, in fiscal year 2005. GASB Statement No. 40 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful. GASB Statement No. 40 had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note C - Cash and Investments

Cash Management Policy and Investment Guidelines

The policy for the investment of Authority funds is the responsibility of the Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the Authority. Under the Board's *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy), all deposits and investments of the Authority are categorized as "Authority Accounts." Investments of the Authority are further restricted to "Qualified Investments" as defined in the Trust Agreement.

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2005 and 2004, investments of the Authority are primarily in U.S. Government Securities, U.S. Government Agency Securities, and Commercial Paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Internet at www.state.de.us/treasure.

Custodial Credit Risk

1. Deposits

The carrying amounts of the Authority's deposits at June 30, 2005 and 2004 were \$2,502,870 and \$1,750,449, respectively, and the bank balances were \$1,935,611 and \$1,004,187, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2005 and 2004 of \$1,935,611 and \$1,004,187, respectively, were covered by federal depository insurance for \$100,000 and by collateral held by the Authority's Trustee, in the Authority's name, for the remainder, in accordance with the Policy and the Trust Agreement.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note C - Cash and Investments (Continued)

Custodial Credit Risk (Continued)

2. Investments

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2005 and 2004, all of the Authority's investments were insured or registered, with securities held by the Authority or its agent in the Authority's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Authority Accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following tables present a listing of directly held investments and related maturities.

<u>June 30, 2005</u>		<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 5,902,563	\$ 355,345	\$ 5,547,218	\$ -
U.S. Government Agency Securities	137,059,208	93,359,004	42,739,960	960,244
Commercial Paper	<u>49,134,783</u>	<u>49,134,783</u>	<u>-</u>	<u>-</u>
	<u>\$192,096,554</u>	<u>\$142,849,132</u>	<u>\$48,287,178</u>	<u>\$960,244</u>
<u>June 30, 2004</u>		<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 16,726,145	\$ 11,755,758	\$ 4,970,387	\$ -
U.S. Government Agency Securities	151,013,863	82,824,643	66,706,359	1,482,861
Commercial Paper	<u>60,547,145</u>	<u>60,547,145</u>	<u>-</u>	<u>-</u>
	<u>\$228,287,153</u>	<u>\$155,127,546</u>	<u>\$71,676,746</u>	<u>\$1,482,861</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note C - Cash and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority follows the Policy and the Trust Agreement by investing only in authorized securities. The Authority's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Trust had investments in Commercial Paper of \$49,134,783 and \$60,547,145 at June 30, 2005 and 2004, respectively. All Commercial Paper held was short-term and rated in accordance with the Trust Agreement. All remaining investments were in U.S. Government Securities and U.S. Government Agency Securities, which carry no credit risk.

Investments in derivatives are prohibited by the Policy.

Investments in Excess of 5%

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2005:

Federal Home Loan Mortgage Corporation	\$63,689,360	33%
Federal National Mortgage Association	73,369,846	38%
General Electric Capital Corporation	20,558,000	11%
Societe Generale NA	14,979,688	8%

Investment Commitments

The Authority has made no investment commitments as of June 30, 2005.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note D - Accounts Receivable

Balances in accounts receivable were as follows at June 30,:

	<u>2005</u>	<u>2004</u>
Concessions - The Authority leases space along the Delaware Turnpike for concessionaires. Rental income is based upon monthly sales and is due the following month.	\$ 194,128	\$ 131,344
E-ZPass revenues	<u>927,138</u>	<u>1,147,476</u>
	<u>\$1,121,266</u>	<u>\$1,278,820</u>

Note E - Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$876,041,266	\$3,460,423	\$ -	\$879,501,689
Land	<u>102,442,981</u>	<u>4,659,819</u>	<u>-</u>	<u>107,102,800</u>
	<u>\$978,484,247</u>	<u>\$8,120,242</u>	<u>\$ -</u>	<u>\$986,604,489</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	7,847,309	-	-	7,847,309
Less: accumulated depreciation for buildings and land improvements	<u>2,149,564</u>	<u>192,045</u>	<u>-</u>	<u>2,341,609</u>
Total capital assets being depreciated, net	<u>\$ 5,697,745</u>	<u>\$ (192,045)</u>	<u>\$ -</u>	<u>\$ 5,505,700</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note E - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$862,743,820	\$13,297,446	\$ -	\$876,041,266
Land	<u>100,332,461</u>	<u>2,110,520</u>	<u>-</u>	<u>102,442,981</u>
	<u>\$963,076,281</u>	<u>\$15,407,966</u>	<u>\$ -</u>	<u>\$978,484,247</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	<u>7,847,309</u>	<u>-</u>	<u>-</u>	<u>7,847,309</u>
Less: accumulated depreciation for buildings and land improvements	<u>1,957,519</u>	<u>192,045</u>	<u>-</u>	<u>2,149,564</u>
Total capital assets being depreciated, net	<u>\$ 5,889,790</u>	<u>\$ (192,045)</u>	<u>\$ -</u>	<u>\$ 5,697,745</u>

Depreciation expense was \$192,045 for fiscal years 2005 and 2004.

Note F - Loans Receivable

During fiscal year 2002, the Authority loaned \$27,500,000 to Diamond State Port Corporation. The funds were loaned at an interest rate of 4.6%. Originally, the loan was to be repaid in 40 semi-annual payments of \$1,058,920, with the final payment to be made in January 2023. Effective July 1, 2004, the loan was restructured. Unpaid interest through January 1, 2005, in the amount of \$1,911,372, was capitalized into the loan balance and the payments were deferred until July 1, 2005. The loan is to be repaid in 40 semi-annual payments of \$1,116,100, commencing on July 1, 2005, with the final payment to be made January 1, 2025. The interest rate on the restructured loan remains at 4.6%. At June 30, 2005 and 2004, the outstanding loan balance was \$28,984,952 and \$27,073,580, respectively (see Note W).

During fiscal years 2005 and 2004, the Authority advanced the Department \$1,786,325 and \$5,000,000, respectively, to pay future E-ZPass operating expenses. The loan balance is reduced as actual expenses are incurred. The balance at June 30, 2005 and 2004 was \$678,419 and \$1,557,666, respectively.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note G - Note Payable

On May 6, 2005, the Authority issued a \$40,000,000 note to PNC Bank, Delaware. Proceeds of the note are for the purpose of providing interim financing for the Department's capital program in anticipation of issuance of long-term bonds, which will provide permanent financing for the capital program. The note bears interest at 2.92% for the period from May 6, 2005 to (but excluding) August 3, 2005, and is adjusted each business day thereafter to a variable rate based on LIBOR [(LIBOR + 25 basis points) (.65 + 68 basis points)]. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. The note, together with all interest accrued, is payable on October 3, 2005. The balance outstanding on the note at June 30, 2005 was \$40,000,000.

Note H - Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$815,505,000	\$167,550,000	\$(121,345,000)	\$861,710,000	\$58,445,000
Bond issue premium, net of accumulated amortization	29,382,368	9,223,338	(8,823,181)	29,782,525	-
Claims and judgments	11,083,932	241,297	-	11,325,229	-
Compensated absences	<u>279,238</u>	<u>18,723</u>	<u>-</u>	<u>297,961</u>	<u>100,409</u>
Long-term liabilities	<u>\$856,250,538</u>	<u>\$177,033,358</u>	<u>\$(130,168,181)</u>	<u>\$903,115,715</u>	<u>\$58,545,409</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note H - Changes in Long-Term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$863,145,000	\$ -	\$(47,640,000)	\$815,505,000	\$53,920,000
Bond issue premium, net of accumulated amortization	35,624,214	-	(6,241,846)	29,382,368	-
Claims and judgments	10,913,837	170,095	-	11,083,932	-
Compensated absences	<u>305,795</u>	<u>-</u>	<u>(26,557)</u>	<u>279,238</u>	<u>64,712</u>
Long-term liabilities	<u>\$909,988,846</u>	<u>\$170,095</u>	<u>\$(53,908,403)</u>	<u>\$856,250,538</u>	<u>\$53,984,712</u>

The Authority is responsible for liquidating all long-term liabilities.

Note I - Bonds Outstanding

Bonds outstanding at June 30, 2005 and 2004 are detailed as follows:

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2005</u>	<u>June 30, 2004</u>
SENIOR BONDS				
1993/2010	\$ 69,410,000	Transportation System Senior Revenue Bonds, 1993 Series, 5.10%	\$ -	\$ 12,745,000
1994/2014	70,000,000	Transportation System Senior Revenue Bonds, 1994 Series, 6.50%	-	3,205,000
1997/2017	120,640,000	Transportation System Senior Revenue Bonds, 1997 Series, 5.00-6.00%	60,090,000	97,490,000
1998/2016	60,560,000	Transportation System Senior Revenue Bonds, 1998 Series, 4.15-5.50%	52,385,000	59,170,000
2000/2020	83,995,000	Transportation System Senior Revenue Bonds, 2000 Series, 5.50%	20,770,000	27,790,000
2001/2021	85,000,000	Transportation System Senior Revenue Bonds, 2001 Series, 4.50-5.00%	53,815,000	60,935,000
2002/2008	43,015,000	Transportation System Senior Revenue Bonds, 2002 Series, 4.00-5.00%	39,905,000	43,015,000

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note I - Bonds Outstanding (Continued)

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2005</u>	<u>June 30, 2004</u>
2002/2022	\$173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 4.00-5.25%	\$153,100,000	\$165,000,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 3.00-5.00%	256,575,000	277,210,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 3.00-5.00%	167,550,000	-
JUNIOR BONDS				
1993/2005	\$ 33,605,000	Transportation System Junior Revenue Bonds, 1993 Series, 5.00%	10,260,000	20,020,000
1997/2004	19,385,000	Transportation System Junior Revenue Bonds, 1997 Series, 4.50%	-	805,000
2002/2009	48,120,000	Transportation System Junior Revenue Bonds, 2002 Series, 4.375-5.00%	<u>47,260,000</u>	<u>48,120,000</u>
		Totals	861,710,000	815,505,000
		Less: current portion	<u>58,445,000</u>	<u>53,920,000</u>
		Long-term portion	<u>\$803,265,000</u>	<u>\$761,585,000</u>

The Transportation System Revenue Bonds are limited obligations of the Authority secured only by the pledged revenues of the Authority. The pledged revenues of the Authority were as follows at June 30,:

	<u>2005</u>	<u>2004</u>
Pledged operating revenues	\$294,800,531	\$285,748,862
Investment income	<u>6,019,636</u>	<u>5,981,028</u>
	<u>\$300,820,167</u>	<u>\$291,729,890</u>

The bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State of Delaware or of any such political subdivision.

The Authority had a total of \$95,219,525 and \$195,470,550 in authorized but unissued bonds at June 30, 2005 and 2004, respectively, to fund a portion of the Department of Transportation Capital Improvement Program.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note I - Bonds Outstanding (Continued)

The annual requirement to amortize all bonds payable as of June 30, 2005 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2006	\$ 58,445,000	\$ 40,573,074	\$ 99,018,074
2007	60,370,000	37,590,889	97,960,889
2008	63,980,000	34,477,817	98,457,817
2009	67,320,000	31,178,829	98,498,829
2010	64,595,000	27,881,848	92,476,848
2011 - 2015	239,995,000	100,578,768	340,573,768
2016 - 2020	192,540,000	47,318,706	239,858,706
2021 - 2025	<u>114,465,000</u>	<u>9,925,732</u>	<u>124,390,732</u>
	<u>\$861,710,000</u>	<u>\$329,525,663</u>	<u>\$1,191,235,663</u>

On October 20, 2004, the Trust Fund issued \$167,550,000 of Transportation System Senior Revenue Bonds, 2004 Series, of which \$67,425,000 was for an advance refunding of the following Transportation System Senior Revenue Bonds:

1997 Series	\$34,280,000
2000 Series	4,115,000
2001 Series	4,245,000
2002B Series	8,870,000
2003 Series	<u>15,915,000</u>
	<u>\$67,425,000</u>

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$3,305,552 and a reduction of \$4,462,624 in future debt service payments.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note J - Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability. As of June 30, 2005 and 2004, the amount of defeased debt outstanding amounted to \$151,760,000 and \$135,255,000, respectively.

Note K - Designated Net Assets

For operations, unrestricted net assets designated by management were as follows at June 30,:

	<u>2005</u>	<u>2004</u>
DTC Transit Fund		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net asset. For the years ended June 30, 2005 and 2004, the DTC Transit Fund expended authorized appropriations amounting to \$56,297,116 and \$51,967,149, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$ 5,777,107	\$ 5,999,253
Other Transportation Funds		
Authorized appropriations to fund State highway administration, planning, operating costs, and Expressways Operations/Toll Administration operations for the years ended June 30, 2005 and 2004 were \$130,683,921 and \$121,188,589, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of:	<u>7,168,796</u>	<u>12,183,666</u>
Total designated net assets	<u>\$12,945,903</u>	<u>\$18,182,919</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note L - Electronic Toll Collection

During fiscal year 1998, Expressways Operations/Toll Administration entered into a regional electronic toll collection system consortium. The consortium includes an agreement among member jurisdictions to share in the potential revenues and costs associated with the construction, financing, and operations of an electronic toll collection customer service center (CSC). The CSC collects tolls and violation fees from motorists in each member jurisdiction and remits to each jurisdiction their share of tolls collected based upon actual road usage.

The CSC will also lease fiber optic transmission lines to the public, which will generate rental income to the CSC. The rental income and violation fees were expected to exceed the costs associated with operating the CSC. In the event that the CSC generates costs in excess of revenues during its ten-year operating term, each member jurisdiction will be obligated to finance their share of this operating deficit under the terms of a True-Up Agreement that each member jurisdiction has signed.

At June 30, 2005 and 2004, a True-Up study revealed a probable liability relating to the above True-Up Agreement. While the exact amounts of this liability, that is due in March 2008, is not known, a reasonable estimate, based on information currently available, is \$12,000,000 for each year. These amounts have been discounted to their present value based on the average investment rate of the Trust Fund at fiscal year end. The discounted amounts of \$11,325,229 and 11,083,932 appear as claims and judgments in the accompanying balance sheets at June 30, 2005 and 2004, respectively. Recognition of this expenditure reduces the net assets at June 30, 2005 and 2004 by \$241,297 and \$170,095, respectively. To accumulate funds for future payment of this contingency, the Authority is earmarking funds within its operating budget.

On March 25, 2003, the Trust Fund withdrew from the regional consortium that was governing the E-ZPass operation jointly with three agencies from other states. November 30, 2003 was designated as the final transition date. As of that date, the Trust Fund began operating its E-ZPass system independent of the regional consortium. Per the terms of the withdrawal agreement, the Trust Fund received approximately \$7.6 million during fiscal year 2003 to cover various transition costs. This amount was initially

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note L - Electronic Toll Collection (Continued)

recorded as deferred revenue and vendor retainage payable and will be recorded as income as expenses are incurred. For the years ended June 30, 2005 and 2004, expenses related to E-ZPass were \$2,665,572 and \$4,246,306, respectively. These amounts are included as E-ZPass expense reimbursements and Expressways Operations/Toll Administration and interstate operating expense in the accompanying statements of revenues, expenses, and change in net assets.

Note M - International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Revenue in the amount of \$9,336,927 and \$9,128,146, respectively, was collected, and the amounts distributed to other jurisdictions were \$1,127,359 and \$1,722,521, respectively, during fiscal years 2005 and 2004. IRP fees were included in motor vehicle registration fee revenue at the net amount.

Note N - International Fuel Tax Agreement

The Department of Transportation participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial licenses are collected and reallocated based on a proration of miles traveled in each jurisdiction. Revenue in the amount of \$5,304,638 and \$5,574,196, respectively, was collected, and the amounts distributed to other jurisdictions were \$1,050,750 and \$783,744, respectively, during fiscal years 2005 and 2004. IFTA revenue is recorded at the net amount.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note O - Retirement Plan

Essentially all full-time Expressways Operations/Toll Administration employees are covered under the State of Delaware Defined Benefit Pension Plan, which is administered by the Office of Pension and Investments. The Plan is contributory, and employees contribute 3% of the portion of their monthly compensation that exceeds \$6,000 per calendar year. Contributions by the Expressways Operations/Toll Administration are based on percentages of total employee compensation as specified by the Office of Pension and Investments.

The following trend information for the current and preceding two years was as follows as of June 30,:

<u>Fiscal Year</u>	<u>Annual Pension Expense</u>	<u>Employer Contribution Rate</u>
2005	\$486,508	13.25%
2004	392,618	11.44%
2003	305,316	9.47%

The State does not maintain the Pension Plan information by agency, and therefore, the Expressways Operations/Toll Administration's portion of the Plan's net assets available for benefits, percentage of annual pension cost contributed, and the actuarial present value of vested and nonvested accumulated plan benefits is not readily determinable.

Detailed information concerning the State of Delaware "State Employees Pension Plan" is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, DE 19904-2402.

Note P - Deferred Compensation Plan

The Expressways Operations/Toll Administration offers its permanent employees the State of Delaware's Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits them to defer a portion of their salary to future

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note P - Deferred Compensation Plan (Continued)

years; participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan changed in January 2001 to include an employer-matching contribution. The State will match the first \$10 contributed by employees who have worked for the State at least six months.

Note Q - Post-Retirement Health Care Benefits

In addition to the pension benefits, the State provides post-retirement health care benefits, in accordance with State statutes, to all employees who retire from the State after meeting the eligibility requirements.

Note R - Contributions from the State General Fund

The State's General Assembly and the State's Division of Revenue transferred the following amounts from the State's General Fund to the Trust Fund during the years ended June 30,:

	<u>2005</u>	<u>2004</u>
Amounts transferred to the Revenue Fund:		
Division of Revenue, Motor Vehicle Dealer/ Lessor License and Document Fees	\$ 2,548,989	\$ 2,504,023
Amounts transferred to the Trust Fund:		
Supplemental appropriation from fiscal year Bond Bill	10,000,000	10,000,000
Division of Motor Vehicles	2,766,500	4,542,866
Port of Wilmington improvements and expansion	15,000,000	5,015,000
Green infrastructure program	22,100,000	-
Glenville disaster recovery	<u>15,000,000</u>	<u>15,000,000</u>
	<u>\$67,415,489</u>	<u>\$37,061,889</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note S - Related Party Transactions

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating expenses paid out of the State's General Fund. Total reimbursements for the years ended June 30, 2005 and 2004 were \$460,838,313 and \$371,331,250, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

Note T - Delaware State Infrastructure Bank

In 1998, the Authority entered into a cooperative agreement with the Federal Highway Administration (FHWA) to establish and provide for the administration of the Delaware State Infrastructure Bank (SIB), in accordance with the National Highway System Designation Act of 1995 and State enabling legislation. The SIB was funded with a \$4.8 million grant from the FHWA. The Authority was required to provide 25% matching funds (\$1.2 million) from the Trust Fund. The total \$6 million amount is required to be maintained in a separate Highway Account within the Trust Fund.

The SIB will loan funds to help transportation project sponsors pay for highway, transit, and rail improvements, or provide credit assistance that makes it affordable for sponsors to borrow money from other sources. The funds will be repaid and used to make new loans.

The funds were advanced to the Trust Fund from SIB as a loan. The Trust Fund is scheduled to repay SIB over six years, paying \$585,348 twice a year. The loan is being repaid with interest at 5%. At June 30, 2005 and 2004, the balance due from the Trust Fund was \$569,333 and \$1,669,789, respectively.

Note U - Commitments and Contingencies

The Authority had contractual commitments of \$13,980,292 for construction of various highway projects at June 30, 2005. Current and future appropriations will fund these commitments as work is performed.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note V - Risk Management

The Authority is exposed to various risks of loss related to worker's compensation, healthcare, automobile, and casualty claims. The Authority is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Authority pays premiums to the General Fund for this coverage.

Note W - Subsequent Events

Effective July 1, 2005, the Diamond State Port loan (See Note F) was restructured. Unpaid interest through January 1, 2006, in the amount of \$1,348,641, will be capitalized into the loan balance. The interest rate on the restructured loan will remain at 4.6%. The loan is to be repaid in 40 semi-annual payments of \$1,168,031, commencing on July 1, 2006, with the final payment to be made January 1, 2026.

Required Supplementary Information

**Delaware Transportation Authority
Transportation Trust Fund**

**Supplementary Information for Governments
That Use the Modified Approach for
Infrastructure Assets**

<u>Bridge Condition Assessments</u>		<u>Structural Rating Numbers & Percentages for Bridges</u>					
	<u>BCR Condition Rating</u>	<u>2004</u>		<u>2003</u>		<u>2002</u>	
		<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Good	6 - 9	102	87.9	104	89.7	93	87.8
Fair	5	11	9.5	10	8.6	10	9.4
Poor	1 - 4	3	2.6	2	1.7	3	2.8
Totals		<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>	<u>106</u>	<u>100.0</u>

		<u>Deck Rating Numbers & Percentages for Bridges</u>					
	<u>OPC Condition Rating</u>	<u>2004</u>		<u>2003</u>		<u>2002</u>	
		<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>
Good	6 - 9	1,520,470	96.5	1,510,446	97.0	1,382,215	96.8
Fair	5	54,351	3.5	46,102	3.0	46,102	3.2
Poor	1 - 4	-	-	-	-	-	-
Totals		<u>1,574,821</u>	<u>100.0</u>	<u>1,556,548</u>	<u>100.0</u>	<u>1,428,317</u>	<u>100.0</u>

		<u>Centerline Mile Numbers & Percentages for Roadway</u>					
<u>Roadway Condition Assessments</u>	<u>OPC Condition Rating</u>	<u>2004</u>		<u>2003</u>		<u>2002</u>	
		<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>
Good	3.0 - 5.0	113.16	94.0	95.45	90.3	91.84	93.0
Fair	2.5 - 3.0	2.95	2.5	6.31	6.0	2.81	2.8
Poor	Below 2.5	4.24	3.5	3.88	3.7	4.10	4.2
Totals		<u>120.35</u>	<u>100.0</u>	<u>105.64</u>	<u>100.0</u>	<u>98.75</u>	<u>100.0</u>

Comparison of Estimated-to-Actual Maintenance / Preservation (in Thousands)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Estimated	\$ <u>4,531</u>	\$ <u>13,839</u>	\$ <u>13,119</u>	\$ <u>15,345</u>	\$ <u>11,900</u>
Actual	\$ <u>10,553</u>	\$ <u>15,092</u>	\$ <u>14,863</u>	\$ <u>19,948</u>	\$ <u>30,740</u>

The condition of road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

**Delaware Transportation Authority
Transportation Trust Fund**

**Supplementary Information for Governments
That Use the Modified Approach for
Infrastructure Assets (Continued)**

The condition of bridges is measured using the “Bridge Condition Rating” (BCR), which is based on the FHWA Coding Guide, “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.” The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges and 9 for bridges in perfect condition. For these reporting purposes, substandard bridges were classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of 6 to 9. A 5 rating is considered fair. The information is taken from past “Bridge Inventory Status” reports.

It is the State’s policy to maintain at least 75% of its highways and bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges.

Additional Information

Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Administrators
Delaware Transportation Authority
Transportation Trust Fund
Dover, Delaware

We have audited the financial statements of the business-type activities of the Delaware Transportation Authority, Transportation Trust Fund as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated August 18, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Delaware Transportation Authority, Transportation Trust Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Administrators

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware Transportation Authority, Transportation Trust Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Administrators of the Delaware Transportation Authority, Transportation Trust Fund, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Department of Finance, and Office of Auditor of Accounts and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

A handwritten signature in black ink that reads "Santora CPA Group". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

August 18, 2005
Newark, Delaware

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheet in Accordance with Trust Agreement

**June 30, 2005
With Comparative Totals for June 30, 2004**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2005	2004
CURRENT ASSETS						
Cash and cash equivalents	\$ 2,380,224	\$ 20,696	\$ 2,633	\$ 99,317	\$ 2,502,870	\$ 1,750,449
Investments - at fair value	42,019,406	95,857,823	3,590,641	1,381,262	142,849,132	155,127,546
Accrued interest receivable	48,000	274,000	53,000	425,000	800,000	921,036
Accounts receivable	1,121,266	-	-	-	1,121,266	1,278,820
Total current assets	45,568,896	96,152,519	3,646,274	1,905,579	147,273,268	159,077,851
NONCURRENT ASSETS						
Capital assets						
Infrastructure and land	-	986,604,489	-	-	986,604,489	978,484,247
Buildings and land improvements	-	7,847,309	-	-	7,847,309	7,847,309
	-	994,451,798	-	-	994,451,798	986,331,556
Less: accumulated depreciation	-	2,341,609	-	-	2,341,609	2,149,564
Capital assets	-	992,110,189	-	-	992,110,189	984,181,992
Investments - at fair value	-	6,225,331	4,046,374	38,975,717	49,247,422	73,159,607
Advances to (from) other funds	-	(569,333)	569,333	-	-	-
Accrued interest receivable	-	591,895	-	-	591,895	1,259,707
Loan receivable	-	29,663,371	-	-	29,663,371	28,631,246
Total noncurrent assets	-	1,028,021,453	4,615,707	38,975,717	1,071,612,877	1,087,232,552
TOTAL ASSETS	\$ 45,568,896	\$ 1,124,173,972	\$ 8,261,981	\$ 40,881,296	\$ 1,218,886,145	\$ 1,246,310,403

Continued...

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**Delaware Transportation Authority
Transportation Trust Fund**

**Statement of Revenues, Expenses, and
Change in Net Assets in Accordance with Trust Agreement**

**For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2005	2004
OPERATING REVENUES						
Pledged revenue						
Turnpike revenue	\$ 60,703,200	\$ -	\$ -	\$ -	\$ 60,703,200	\$ 62,861,026
Motor fuel tax revenue	113,663,312	-	-	-	113,663,312	112,434,740
Motor vehicle document fee revenue	65,700,234	-	-	-	65,700,234	62,545,831
Motor vehicle registration fee revenue	30,188,939	-	-	-	30,188,939	28,342,067
Other motor vehicle revenue	20,290,958	-	-	-	20,290,958	14,774,746
International Fuel Tax Agreement revenue	4,253,888	-	-	-	4,253,888	4,790,452
Total pledged revenue	294,800,531	-	-	-	294,800,531	285,748,862
Toll revenue - Delaware SR-1	30,161,375	-	-	-	30,161,375	27,100,947
Federal highway reimbursements	-	-	-	-	-	1,570,112
Property management revenue	-	173,854	-	-	173,854	147,090
E-ZPass expense reimbursements	-	2,665,572	-	-	2,665,572	4,246,306
Miscellaneous revenue	-	2,106,609	-	-	2,106,609	2,713,215
Total operating revenues	324,961,906	4,946,035	-	-	329,907,941	321,526,532
OPERATING EXPENSES						
Expressways Operations/Toll Administration and interstate operating expenses	14,255,321	-	-	-	14,255,321	15,178,345
Claims and judgments	241,297	-	-	-	241,297	170,095
Expenses in accordance with Trust Agreement	178,240,905	282,597,408	-	-	460,838,313	371,331,250
State General Fund debt service	-	546,089	-	-	546,089	621,553
Depreciation	-	192,045	-	-	192,045	192,045
Financing expenses	-	833,029	-	-	833,029	2,760
Total operating expenses	192,737,523	284,168,571	-	-	476,906,094	387,496,048

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

**Statement of Revenues, Expenses, and
Change in Net Assets in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2005	2004
OPERATING INCOME (LOSS)	\$ 132,224,383	\$ (279,222,536)	\$ -	\$ -	\$ (146,998,153)	\$ (65,969,516)
NONOPERATING REVENUES (EXPENSES)						
Pledged revenue - income from investments (net of fees)	975,248	3,291,703	247,207	1,505,478	6,019,636	5,981,028
Net increase (decrease) in the fair value of investments	13,857	213,658	(9,310)	(61,362)	156,843	(2,099,056)
Accrued interest from bond sales	-	401,223	-	-	401,223	-
Interest expense	-	(37,332,824)	-	-	(37,332,824)	(34,357,809)
Total nonoperating revenues (expenses)	989,105	(33,426,240)	237,897	1,444,116	(30,755,122)	(30,475,837)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	133,213,488	(312,648,776)	237,897	1,444,116	(177,753,275)	(96,445,353)
Capital contributions	2,548,989	64,866,500	-	-	67,415,489	37,061,889
Transfer in of funds in accordance with Trust Agreement	194,354,543	514,302,299	-	3,493,618	712,150,460	381,060,952
Transfer out of funds in accordance with Trust Agreement	(336,657,549)	(374,053,589)	-	(1,439,322)	(712,150,460)	(381,060,952)
CHANGE IN NET ASSETS	(6,540,529)	(107,533,566)	237,897	3,498,412	(110,337,786)	(59,383,464)
TOTAL NET ASSETS - BEGINNING OF YEAR	34,386,620	277,707,404	8,024,084	37,382,884	357,500,992	416,884,456
TOTAL NET ASSETS - END OF YEAR	\$ 27,846,091	\$ 170,173,838	\$ 8,261,981	\$ 40,881,296	\$ 247,163,206	\$ 357,500,992

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement

**For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	(Memorandum Only)	
					2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 325,119,460	\$ 2,280,463	\$ -	\$ -	\$ 327,399,923	\$ 318,523,026
Other receipts	-	-	-	-	-	1,570,112
Payments to employees	(6,458,952)	-	-	-	(6,458,952)	(6,179,815)
Payments to suppliers	(185,365,935)	(286,853,656)	-	-	(472,219,591)	(380,302,962)
Net cash flows provided by (used in) operating activities	133,294,573	(284,573,193)	-	-	(151,278,620)	(66,389,639)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from State General Fund - capital contributions	2,548,989	64,866,500	-	-	67,415,489	37,061,889
Net transfers of funds in accordance with Trust Agreement	(142,303,006)	140,248,710	-	2,054,296	-	-
Net cash flows provided by (used in) noncapital financing activities	(139,754,017)	205,115,210	-	2,054,296	67,415,489	37,061,889
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Payments of bond principal	-	(53,920,000)	-	-	(53,920,000)	(47,640,000)
Payment to escrow agent for refunding of bonds	-	(67,425,000)	-	-	(67,425,000)	-
Payments of principal on debt reserve loan	-	(1,100,456)	1,100,456	-	-	-
Proceeds from bond sale	-	167,550,000	-	-	167,550,000	-
Proceeds from issuance of note	-	40,000,000	-	-	40,000,000	-
Repayment from Diamond State Port Corporation	-	-	-	-	-	426,420
Loan to Delaware Department of Transportation	-	-	-	-	-	(753,694)
Repayment from Delaware Department of Transportation	-	879,247	-	-	879,247	-
Premium from bond sale	-	9,223,338	-	-	9,223,338	-
Acquisition of capital assets	-	(8,120,242)	-	-	(8,120,242)	(15,407,966)
Payments of interest	-	(45,217,568)	-	-	(45,217,568)	(38,299,588)
Net cash flows provided by (used in) capital and related financing activities	-	41,869,319	1,100,456	-	42,969,775	(101,674,828)

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement (Continued)

**For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	(Memorandum Only)	
					2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of investments	\$ 6,039,919	\$ 35,152,408	\$ -	\$ -	\$ 41,192,327	\$ 133,155,210
Purchase of investments	-	-	(1,355,563)	(3,489,322)	(4,844,885)	(7,460,120)
Interest received	988,248	2,629,089	231,520	1,449,478	5,298,335	5,000,776
Net cash flows provided by (used in) investing activities	7,028,167	37,781,497	(1,124,043)	(2,039,844)	41,645,777	130,695,866
Net increase (decrease) in cash and cash equivalents	568,723	192,833	(23,587)	14,452	752,421	(306,712)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,811,501	(172,137)	26,220	84,865	1,750,449	2,057,161
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,380,224</u>	<u>\$ 20,696</u>	<u>\$ 2,633</u>	<u>\$ 99,317</u>	<u>\$ 2,502,870</u>	<u>\$ 1,750,449</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Net operating income (loss)	\$ 132,224,383	\$ (279,222,536)	\$ -	\$ -	\$ (146,998,153)	\$ (65,969,516)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and retirements of property and equipment	-	192,045	-	-	192,045	192,045
Changes in assets and liabilities						
Decrease in accounts receivable	157,554	-	-	-	157,554	1,549,587
Increase (decrease) in accounts payable	617,961	(2,877,130)	-	-	(2,259,169)	678,415
Increase (decrease) in accrued payroll and related expenses	53,378	-	-	-	53,378	(27,284)
Decrease in deferred revenue	-	(2,665,572)	-	-	(2,665,572)	(2,982,981)
Increase in other accrued expenses	241,297	-	-	-	241,297	170,095
Net cash provided by (used in) operating activities	<u>\$ 133,294,573</u>	<u>\$ (284,573,193)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (151,278,620)</u>	<u>\$ (66,389,639)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest capitalized on Diamond State Port Corporation loan	\$ -	\$ 1,911,372	\$ -	\$ -	\$ 1,911,372	\$ -

June 30, 2005

Junior		Total Junior Bond Series	
1993 Series	2002 Series		
\$ 10,260,000	\$ 895,000	\$ 11,155,000	\$ 58,445,000
-	10,825,000	10,825,000	60,370,000
-	11,300,000	11,300,000	63,980,000
-	11,825,000	11,825,000	67,320,000
-	12,415,000	12,415,000	64,595,000
-	-	-	54,800,000
-	-	-	45,125,000
-	-	-	47,250,000
-	-	-	45,225,000
-	-	-	47,595,000
-	-	-	44,780,000
-	-	-	47,270,000
-	-	-	35,710,000
-	-	-	31,545,000
-	-	-	33,235,000
-	-	-	34,815,000
-	-	-	29,635,000
-	-	-	24,170,000
-	-	-	18,450,000
-	-	-	7,395,000
\$ 10,260,000	\$ 47,260,000	\$ 57,520,000	\$ 861,710,000

Delaware Transportation Authority Transportation Trust Fund

Schedule of Bonds Outstanding

June 30, 2004

Principal	1993 Series	1994 Series	1997 Series	1998 Series	Senior 2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	Total Senior Bond Series
FY05	\$ 12,745,000	\$ 3,205,000	\$ 3,120,000	\$ 6,785,000	\$ 2,905,000	\$ 2,875,000	\$ 3,110,000	\$ 3,030,000	\$ 4,720,000	\$ 42,495,000
FY06	-	-	10,160,000	195,000	3,050,000	3,020,000	12,140,000	6,485,000	8,890,000	43,940,000
FY07	-	-	3,455,000	205,000	3,200,000	3,170,000	16,460,000	6,835,000	12,725,000	46,050,000
FY08	-	-	3,665,000	3,215,000	3,360,000	3,330,000	5,515,000	7,200,000	22,760,000	49,045,000
FY09	-	-	3,885,000	7,460,000	3,535,000	3,495,000	5,790,000	3,640,000	23,690,000	51,685,000
FY10	-	-	8,390,000	3,550,000	3,715,000	3,670,000	-	3,825,000	25,100,000	48,250,000
FY12	-	-	8,820,000	3,710,000	3,910,000	3,855,000	-	4,030,000	26,350,000	50,675,000
FY13	-	-	9,260,000	3,885,000	4,115,000	4,045,000	-	4,240,000	15,620,000	41,165,000
FY14	-	-	9,720,000	4,060,000	-	4,245,000	-	8,675,000	16,405,000	43,105,000
FY15	-	-	10,200,000	-	-	-	-	13,440,000	17,225,000	40,865,000
FY16	-	-	10,675,000	-	-	-	-	14,080,000	18,090,000	42,845,000
FY17	-	-	5,115,000	12,770,000	-	-	-	14,615,000	7,765,000	40,265,000
FY18	-	-	5,375,000	13,345,000	-	5,175,000	-	10,300,000	8,150,000	42,345,000
FY19	-	-	5,650,000	-	-	5,405,000	-	10,790,000	8,560,000	30,405,000
FY20	-	-	-	-	-	-	-	16,805,000	8,995,000	25,790,000
FY21	-	-	-	-	-	5,935,000	-	11,865,000	9,435,000	27,235,000
FY22	-	-	-	-	-	6,210,000	-	12,445,000	9,905,000	28,560,000
FY23	-	-	-	-	-	6,505,000	-	6,205,000	10,405,000	23,115,000
FY24	-	-	-	-	-	-	-	6,495,000	10,870,000	17,365,000
	\$ 12,745,000	\$ 3,205,000	\$ 97,490,000	\$ 59,170,000	\$ 27,790,000	\$ 60,935,000	\$ 43,015,000	\$ 165,000,000	\$ 277,210,000	\$ 746,560,000

Junior			Total	
1993 Series	1997 Series	2002 Series	Junior Bond Series	Totals
\$ 9,760,000	\$ 805,000	\$ 860,000	\$ 11,425,000	\$ 53,920,000
10,260,000	-	895,000	11,155,000	55,095,000
-	-	10,825,000	10,825,000	56,875,000
-	-	11,300,000	11,300,000	60,345,000
-	-	11,825,000	11,825,000	63,510,000
-	-	12,415,000	12,415,000	60,665,000
-	-	-	50,675,000	50,675,000
-	-	-	41,165,000	41,165,000
-	-	-	43,105,000	43,105,000
-	-	-	40,865,000	40,865,000
-	-	-	42,845,000	42,845,000
-	-	-	40,265,000	40,265,000
-	-	-	42,345,000	42,345,000
-	-	-	30,405,000	30,405,000
-	-	-	25,790,000	25,790,000
-	-	-	27,235,000	27,235,000
-	-	-	28,560,000	28,560,000
-	-	-	23,115,000	23,115,000
-	-	-	17,365,000	17,365,000
-	-	-	-	11,360,000
\$ 20,020,000	\$ 805,000	\$ 48,120,000	\$ 68,945,000	\$ 815,505,000

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Operating Revenues and Expenses -
Expressways Operations/Toll Administration**

For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
TOLL REVENUES - DELAWARE TURNPIKE	\$ 57,701,403	\$ 60,011,848
TOLL REVENUES - DELAWARE SR-1	30,161,375	27,100,947
	<u>87,862,778</u>	<u>87,112,795</u>
ADD - TOLL VARIANCE AND VIOLATIONS	157,264	35,036
	<u>88,020,042</u>	<u>87,147,831</u>
 SERVICE AREA RENTALS		
Marriott restaurants	1,634,478	1,577,223
Service stations		
Exxon	695,007	641,284
Mobil	261,808	246,163
	<u>2,591,293</u>	<u>2,464,670</u>
 OTHER TURNPIKE REVENUES	<u>253,240</u>	<u>349,472</u>
 TOTAL TURNPIKE REVENUES	90,864,575	89,961,973
 DELAWARE TURNPIKE EXPENSES		
Personnel	2,811,378	2,465,213
Utilities	116,687	114,929
Contracted services	586,706	556,957
	<u>3,514,771</u>	<u>3,137,099</u>
 TOLL ADMINISTRATION EXPENSES		
Personnel	678,681	1,056,354
Capital outlay and travel	156,589	3,424,197
Utilities	58,597	-
Contracted services	5,915,075	3,828,050
	<u>6,808,942</u>	<u>8,308,601</u>
 DELAWARE SR-1 EXPENSES		
Personnel	2,968,893	2,658,248
Utilities	224,546	291,410
Contracted services	738,169	782,987
	<u>3,931,608</u>	<u>3,732,645</u>
 TOTAL EXPENSES	<u>14,255,321</u>	<u>15,178,345</u>
 EXCESS OF REVENUES OVER EXPENSES	<u>\$ 76,609,254</u>	<u>\$ 74,783,628</u>

**Delaware Transportation Authority
Transportation Trust Fund**

**Schedules of Expenditures Compared to Budget -
Expressways Operations/Toll Administration**

For the Years Ended June 30, 2005 and 2004

	2005			2004		
	Budget	Actual*	Variance	Budget	Actual*	Variance
DELAWARE TURNPIKE EXPENDITURES						
Personnel	\$ 2,800,500	\$ 2,750,972	\$ 49,528	\$ 2,505,700	\$ 2,500,200	\$ 5,500
Utilities	124,800	124,800	-	114,800	113,055	1,745
Contracted services	598,500	597,924	576	598,500	596,260	2,240
	<u>3,523,800</u>	<u>3,473,696</u>	<u>50,104</u>	<u>3,219,000</u>	<u>3,209,515</u>	<u>9,485</u>
TOLL ADMINISTRATION EXPENDITURES						
Personnel	766,600	731,176	35,424	1,124,600	1,028,338	96,262
Capital outlay and travel	117,000	99,241	17,759	3,317,000	3,306,484	10,516
Utilities	61,000	61,000	-	-	-	-
Contracted services	6,476,100	6,475,558	542	3,939,100	3,901,425	37,675
	<u>7,420,700</u>	<u>7,366,975</u>	<u>53,725</u>	<u>8,380,700</u>	<u>8,236,247</u>	<u>144,453</u>
DELAWARE SR-1 EXPENDITURES						
Personnel	2,952,000	2,923,426	28,574	2,692,400	2,678,560	13,840
Utilities	309,400	300,176	9,224	329,400	322,320	7,080
Contracted services	821,100	815,338	5,762	821,100	817,067	4,033
	<u>4,082,500</u>	<u>4,038,940</u>	<u>43,560</u>	<u>3,842,900</u>	<u>3,817,947</u>	<u>24,953</u>
TOTAL EXPENDITURES	<u>\$ 15,027,000</u>	<u>\$ 14,879,611</u>	<u>\$ 147,389</u>	<u>\$ 15,442,600</u>	<u>\$ 15,263,709</u>	<u>\$ 178,891</u>

*Includes purchase orders outstanding at June 30.

**Delaware Transportation Authority
Transportation Trust Fund**

Schedule of Revenue Bond Coverage

June 30, 2005

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities and bonds outstanding.

(in thousands)

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Coverage</u>
1996	\$ 229,771	\$ 95,859	\$ 133,912	\$ 67,704	1.98
1997	233,913	105,371	128,542	67,064	1.92
1998	254,887	119,428	135,459	61,761	2.19
1999	272,398	119,816	152,582	66,018	2.31
2000	284,167	118,739	165,428	66,139	2.50
2001	299,962	147,065	152,897	72,852	2.10
2002	297,894	140,940	156,954	74,834	2.10
2003	298,536	156,394	142,142	86,447	1.64
2004	314,205	177,545	136,660	85,816	1.59
2005	324,962	192,738	132,224	93,290	1.42

APPENDIX B

Summary of Certain Provisions of the Agreement

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a general summary of certain provisions of the Agreement. Summaries of definitions of certain defined terms used in the Agreement and the Official Statement are also set forth below. Other terms defined in the Agreement or the Official Statement for which summary definitions are not set forth are indicated by initial capitalization. This Summary is not to be considered a full statement of the terms of the Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof. Copies of the Agreement are available for examination at the offices of the Trustee and the Authority.

Definitions

“Accreted Value” shall mean, as of any date of computation with respect to any Compound Interest Bond, an amount equal to the principal amount of such Compound Interest Bond (the principal amount at its original issuance) plus the interest accrued on such Compound Interest Bond from the date of its original issuance to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at the interest rate per annum of the Compound Interest Bonds set forth in the Supplemental Agreement authorizing the issuance of such Compound Interest Bonds, compounded on each Interest Payment Date, plus, with respect to matters related to the payment upon redemption or acceleration of the Compound Interest Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based upon an assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each.

“Act” shall mean the Delaware Transportation Authority Act, Chapter 13, Title 2, Delaware Code, as amended, and the Transportation Trust Fund Act, Chapter 14, Title 2, Delaware Code, as amended from time to time.

“Additional Revenues” shall mean any receipts or revenue of the Authority pledged to the Trustee for the benefit of the holders of the Bonds pursuant to a Supplemental Agreement and not pledged by the Agreement on the date of its initial execution and delivery. By Supplemental Agreement No. 3 dated as of August 1, 1990, the following were added as Additional Revenue: motor vehicle registration fees imposed by the State pursuant to Chapter 21, Title 21, Delaware Code, all fees which are collected by the Department of Public Safety and paid to the Transportation Trust Fund pursuant to Chapter 3, Title 21, Delaware Code, and investment income earned and received on assets held in the Trust Fund (provided that investment income shall not be treated as Additional Revenue for the purposes of the additional Bonds tests). By Supplemental Agreement No. 9 dated as of November 1, 1994, amounts received from the State and derived by the State from the hauling permits required under Chapter 45, Title 21, Delaware Code were added as Additional Revenue. The Chapter 3, Title 21 Additional Revenue pledged by Supplemental Agreement No. 3 and the Chapter 45, Title 21 Additional Revenue pledged by Supplemental Agreement No. 9 are referred to herein as “Pledged Miscellaneous Transportation Revenue”.

“Agreement” shall mean the Trust Agreement, dated as of the 1st day of August, 1988, between the Authority and Wilmington Trust Company together with all agreements supplemental thereto as therein permitted.

“Annual Budget” shall mean the Authority's budget required to be prepared by the Act, showing, among other things, the expected deposits to the Funds created under the Agreement.

“Appreciated Value” shall mean, (i) as of any date of computation with respect to any Compound Interest and Income Bond prior to the Interest Commencement Date set forth in the Supplemental Agreement providing for the issuance of such Compound Interest and Income Bond, an amount equal to the principal amount of such Compound Interest and Income Bond (the principal amount at its original issuance) plus the interest accrued on such Compound Interest and Income Bond from the date of original issuance of such Bond to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at the rate per annum of

the Compound Interest and Income Bonds set forth in the Supplemental Agreement providing for the issuance of such Compound Interest and Income Bond, compounded semiannually on each Interest Payment Date, plus, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Appreciated Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Interest Payment Date calculated based upon an assumption that Appreciated Value accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each, and (ii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“Authority” shall mean the Delaware Transportation Authority, a body corporate and politic constituting a public instrumentality of The State of Delaware, and the successor or successors of the Authority.

“Bonds” or “Bond” shall mean Senior and/or Junior Bonds or Bond issued under the Agreement.

“Capital Fund” shall mean the Delaware Transportation Authority Capital Fund, a trust fund created and designated by the provisions of Article V of the Agreement.

“Compound Interest and Income Bonds” shall mean any Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Supplemental Agreement providing for the issuance of such Bonds and the Appreciated Value for such Bonds is compounded semiannually on each of the applicable semiannual dates designated for compounding prior to the Interest Commencement Date for such Compound Interest and Income Bonds, all as so designated by the Supplemental Agreement providing for the issuance of such Bonds.

“Compound Interest Bonds” shall mean those Bonds as to which interest is compounded semiannually on each of the applicable semiannual dates designated for compounding and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date therefor, all as so designated by the Supplemental Agreement providing for the issuance of such Bonds.

“Credit Facility; Termination thereof; Expiration thereof” “Credit Facility” shall mean any of the following: (i) a letter of credit; and (ii) any other credit facility, insurance policy or other credit support agreement or mechanism obtained, delivered, made, entered into or otherwise arranged by the Authority for the purpose of securing, evidencing or being otherwise in furtherance of the obligations of the Authority under the Agreement or for the purpose of securing all or a portion of the Bonds, or for all of the foregoing purposes. Credit Facility shall include any agreement to reimburse the obligor of such Credit Facility for a drawing or advance under that Credit Facility as well as the agreement, if separate, which embodies the obligation of the obligor to the Authority or the Trustee permitting the Authority or the Trustee to draw or obtain advances under such Credit Facility. Any Credit Facility obtained to satisfy the debt service reserve account requirements for the Junior Bonds or the Senior Bonds which is an insurance policy must be rated at its issuance in the highest Rating Category by Moody's and S&P. Any such Credit Facility which is a letter of credit must be continuously rated in the highest Rating Category by Moody's and S&P. “Termination” (and other forms of the word “terminate”) shall mean, when used with respect to any Credit Facility, the replacement, removal, surrender or other termination of such Credit Facility by the Trustee other than the Expiration of such Credit Facility. “Expiration” (and other forms of the word “expire”) shall mean, when used with respect to any Credit Facility, the expiration or termination of such Credit Facility in accordance with its terms.

“Current Interest Bonds” shall mean any bonds the interest on which is paid at least semi-annually unless otherwise provided in a Supplemental Agreement.

“Defeased Municipal Obligations” shall mean obligations of state or local governments or obligations of public authorities or agencies which are rated in the highest Rating Category by S&P or Moody's and provisions for payment of which have been made by deposit of funds or investments with a trustee or escrow agent for the benefit of the holders of such Defeased Municipal Obligations.

“Delaware Turnpike” shall mean the toll express highway designated Delaware Interstate 95 extending from a point in the vicinity of Farnhurst, Delaware, to a point at or near the boundary line between the State of Delaware and the State of Maryland.

“Delaware Turnpike Revenues” shall mean all tolls, concession revenues and other revenues or receipts derived from the ownership, operation or maintenance of the Delaware Turnpike.

“Document Fees” shall mean the fees derived from motor vehicle document fees imposed by the State of Delaware pursuant to Section 3002, Chapter 30, Title 30, Delaware Code, as amended, from time to time, and successor sections of the Delaware Code.

“Engineering Consultants” shall mean a firm or corporation having a nationwide and favorable reputé for skill and experience in all phases of turnpike engineering and maintenance and in estimating operating expenses incurred in operating toll turnpikes.

“Fiscal Year” shall mean the period commencing on the first day of July of any year and ending on the last day of June of the following year.

“Government Obligations” shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock surplus and undivided profits of at least \$50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; and (c) Defeased Municipal Obligations.

“Interest Commencement Date” shall mean with respect to any particular Compound Interest and Income Bond, the date which must be an Interest Payment Date, as set forth in the Supplemental Agreement providing for the issuance of such Bond (which date must be prior to the scheduled maturity date for such Bond) after which interest accruing on such Bond shall be payable semiannually, with the first such payment being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

“Investment Account” shall mean the Delaware Transportation Authority Investment Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Junior Bonds” shall mean Bonds, at any time Outstanding, the principal and interest on which are payable from the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and, as provided in the Agreement, from the Junior Bonds Debt Service Reserve Account and by their terms, subordinate in right of payment to Senior Bonds (except with respect to Junior Bonds Priority Funds) but senior in their right of payment to Subordinate Indebtedness.

“Junior Bonds Debt Service Reserve Account” shall mean the Delaware Transportation Authority Junior Bonds Debt Service Reserve Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Junior Bonds Debt Service Reserve Account Requirement” shall mean, as of any date of determination, an amount equal to one-half the maximum Principal and Interest Requirements on Junior Bonds then Outstanding; provided that with respect to any Junior Bonds bearing interest at the Short-Term Rate, such requirement shall be determined by Supplemental Agreements.

“Junior Bonds Principal and Interest Account” shall mean the Delaware Transportation Authority Junior Bonds Principal and Interest Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Junior Bonds Priority Funds” shall mean moneys on deposit in and/or payable under a Credit Facility to the Junior Bonds Principal and Interest Account, Junior Bonds Redemption Account and/or the Junior Bonds Debt Service Reserve Account.

“Junior Bonds Redemption Account” shall mean the Delaware Transportation Authority Junior Bonds Redemption Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Maximum Principal and Interest Requirement” shall mean the maximum principal and interest payable in any Fiscal Year with respect to Senior Bonds or Junior Bonds, as the case may be, less the sum of the proceeds of such Bonds issued to fund interest of such series of Bonds during the Fiscal Year of calculation.

“Motor Fuel Tax Revenues” shall mean the revenues derived from the motor fuel tax imposed by the State pursuant to Chapter 51, Title 30, Delaware Code, as amended, from time to time, and successor provisions of the Delaware Code.

“Operating Fund” shall mean the Delaware Transportation Authority Operating Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Operating Reserve Fund” shall mean the Delaware Transportation Authority Operating Reserve Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Other Projects Account” shall mean the Delaware Transportation Authority Other Projects Account, a trust fund created and designated in Section 5.01 (“Capital Fund”) of the Agreement.

“Outstanding” when used in reference to the Bonds, shall mean, at any particular date, the aggregate of all Bonds authenticated and delivered under the Agreement except:

- (a) those Bonds cancelled at or prior to such date or delivered to or acquired by the Trustee at or prior to such date for cancellation;
- (b) those deemed to be paid in accordance with Article VIII (“Defeasance”) of the Agreement;
- (c) those deemed to be purchased in accordance with any agreement with a Tender Agent or Remarketing Agent; and
- (d) those in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Agreement.

“Principal” or “principal amount” shall mean (i) with respect to any Compound Interest and Income Bond, the Appreciated Value thereof and with respect to any Compound Interest Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Appreciated Value or the Accreted Value, as the case may be, being deemed unearned interest) except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default (of which the Trustee has notice within the meaning of Section 10.05 of the Agreement), in which case “principal” means the initial public offering price of a Compound Interest and Income Bond and a Compound Interest Bond (the difference between the Appreciated Value or the Accreted Value, as the case may be, and the initial public offering price being deemed interest) and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal and Interest Requirements” shall mean for any Fiscal Year:

- (a) as applied to any Outstanding Bonds (except as provided in clauses (b), (c), (d) and (e) below), the sum of:
 - (i) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on all serial Bonds then Outstanding

which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if any interest payable on July 1 of the Fiscal Year of calculation is excluded);

(ii) the amount required to pay principal of all serial Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if the principal payment due on any July 1 of the Fiscal Year of calculation is excluded);

(iii) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on all term Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if interest payable on any July 1 of the Fiscal Year of calculation is excluded); and

(iv) the amount required to meet the Sinking Fund Payments on all term Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if the amount required to meet the Sinking Fund Payment on any July 1 of the Fiscal Year of calculation is excluded);

(b) as applied to Bonds of any series which are payable in a Fiscal Year by virtue of the right of a holder of Bonds to demand repurchase or repayment prior to their scheduled maturity (after taking into account all scheduled mandatory redemptions or prepayments payable over the life of those Bonds):

(i) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on such Bonds then Outstanding which is payable in a Fiscal Year (and on any July 1 of the following Fiscal Year if interest payable on any July 1 of the Fiscal Year of calculation is excluded);

(ii) the amount required to pay principal of such Bonds then Outstanding which is payable in a Fiscal Year (and on any July 1 of the following Fiscal Year if principal payable on any July 1 of the Fiscal Year of calculation is excluded) assuming that the principal amount of such Bonds which is subject to repurchase or repayment prior to its scheduled maturity shall be required to be repurchased or repaid on the earliest date on which such demand can be made or on which by its terms it can be required to be repaid;

(iii) notwithstanding items (i) and (ii) in this clause (b), if the Authority has delivered a Credit Facility to the Trustee under which money is available for the payment of all or a portion of such Bonds (a "balloon payment") (provided that if the Credit Facility is scheduled to expire prior to the date of payment of the balloon payment, the amount available under the Credit Facility is required to be drawn and applied to the payment of the balloon payment unless the Credit Facility is replaced or renewed prior to such Expiration date) Principal and Interest Requirements shall be calculated as follows: (1) it shall be assumed that the amounts available under the Credit Facility are drawn on the earlier of the balloon payment date or the Expiration or Termination date of the Credit Facility; (2) the Principal and Interest Requirements on the Bonds for each Fiscal Year prior to the Fiscal Year of the assumed date of drawing on the Credit Facility shall be deemed to be equal to the amount of principal and interest payments scheduled to be paid; and (3) the Principal and Interest Requirements for the Fiscal Year of the assumed draw under the Credit Facility and for each Fiscal Year thereafter shall be deemed to be equal to the sum of the principal and interest payable during such period by the terms of the Credit Facility and the principal and interest payments of other Bonds of that series for which amounts are not available under the Credit Facility;

(c) with respect to any Bonds bearing interest at the Short-Term Rate, for purposes of calculations made under (a) or (b) above, interest payments shall be the sum of:

(i) the maximum interest rate payable at the Short-Term Rate as determined by the Supplemental Agreement pursuant to which such Bonds are issued, or, if higher, the maximum rate payable on the Bonds if held by any provider of a Credit Facility ensuring the payment of principal of and interest on such Bonds but only to the extent that such interest is payable from a Debt Service Fund; and

(ii) any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on the Bonds subject to the foregoing calculations;

(d) Notwithstanding the foregoing provisions of this definition with respect to any Bonds bearing interest at the Commercial Paper Rate, the payment of principal of and interest on which is ensured by the provider of a Credit Facility, Principal and Interest Requirements for each Fiscal Year shall be calculated assuming level debt service over 20 years with interest, for purposes of that calculation, at the maximum allowable rate on the date of initial issuance of Bonds bearing interest at the Commercial Paper Rate as determined by the Supplemental Agreement pursuant to which such Bonds are issued, or, if higher, the maximum rate payable on such Bonds if held by such provider of the Credit Facility but only to the extent that such interest is payable from a Debt Service Fund;

(e) Notwithstanding the foregoing provisions of this definition, Principal and Interest Requirements with respect to Compound Interest Bonds and Compound Interest and Income Bonds (each of such Bonds may comprise a portion of a series) shall be determined by the Supplemental Agreement providing for the issuance of any such Bonds but in any event, shall commence on the Interest Commencement Date with respect to Compound Interest and Income Bonds and, with respect to Compound Interest Bonds, either six months or one year prior (or such lesser time prior, as provided in the applicable Supplemental Agreement) to the date on which Accreted Value becomes due and payable with principal and interest portions of Accreted Value payable on such due date being deemed to accrue in equal daily installments commencing on the first day of such one year period (or such other period as is provided in the Supplemental Agreement pursuant to which such Bonds are issued).

“Project” shall mean any project which the Authority is authorized to finance under the provisions of the Act.

“Qualified Investments” shall mean

(a) (i) Government Obligations and (ii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association, the Federal Financing Bank, the Federal Home Loan Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the Government National Mortgage Association, or by any other agency controlled by or supervised by and acting as an instrumentality of the United States Government (except for the Federal Farm Credit Bank, the Federal Land Bank, the Federal Intermediate Credit Bank, the Federal Home Loan Banks, or the Federal Bank for Cooperatives),

(b) certificates of deposit issued by, and time deposits in, any bank (including the Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, other than the Trustee, whose long-term unsecured indebtedness is rated less than A by Moody's or S & P, such certificates of deposit or time deposits are (i) insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when “stripped” by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) Defeased Municipal Obligations,

(e) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by S&P or Moody's,

(f) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P or Moody's despite the failure of such obligations to qualify as a Qualified Investment under (e) above,

(g) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (e) or (f) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and is rated in the highest Rating Category by S&P or Moody's,

(h) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(i) any repurchase agreement for Government Obligations by the Trustee that is with a bank or trust company (including the Trustee) or any securities dealer which is a member of the Securities Investors Protective Corporation; provided, however, that the Government Obligations must be transferred to the Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims, and further provided that (i) in the case of a bank or trust company, such institution shall have a combined capital and surplus of not less than \$50,000,000 or have ratings from S&P or Moody's in one of their three highest Rating Categories and (ii) in the case of a securities dealer, such dealer is a member of the National Association of Securities Dealers, Inc. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations, and

(j) commercial paper rated in the highest Rating Category by either S&P or Moody's.

Any investment in obligations described in (a), (c), (d), (e), (f), (g), (h) and (j) above may be made in the form of an entry made on the records of the issuer of the particular obligation.

“Rebate Account” shall mean the Delaware Transportation Authority Rebate Account, a special fund created and designated by the provisions of Section 7.22 of the Agreement.

“Receipts and Revenues of the Authority” shall mean all moneys paid or payable to the Trustee by or for the account of the Authority, including, but not limited to, Motor Fuel Tax Revenues, Delaware Turnpike Revenues, Document Fees, the proceeds of all drawings by or advances to the Trustee under a Credit Facility in satisfaction of the Authority's obligations to make payments under the Agreement (other than drawings or advances under Credit Facilities ensuring payment of principal of and interest on Bonds), all Additional Revenues and all receipts of the Trustee which, under the provisions of the Agreement, reduce the amount of such payments.

“Revenue Account” shall mean the Delaware Transportation Authority Revenue Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Revenue Fund” shall mean the Delaware Transportation Authority Revenue Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Senior Bonds” shall mean Bonds, at any time Outstanding, that by their terms are senior in right of payment to Junior Bonds (except Junior Bonds to the extent payable from Junior Bonds Priority Funds) and the principal and interest on which are payable from the Senior Bonds Principal and Interest Account, the Seniors Bonds Redemption Account and, as provided in the Agreement, from the Senior Bonds Debt Service Reserve Account.

“Senior Bonds Debt Service Reserve Account” shall mean the Delaware Transportation Authority Senior Bonds Debt Service Reserve Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Senior Bonds Debt Service Reserve Account Requirement” shall mean as of any date of determination, an amount equal to one-half of the maximum Principal and Interest Requirements on Senior Bonds then Outstanding (subject to the provisions of Section 4.05 of the Agreement); provided that with respect to any Senior Bonds bearing interest at the Short-Term Rate, such requirement shall be determined by Supplemental Agreements.

“Senior Bonds Principal and Interest Account” shall mean the Delaware Transportation Authority Senior Bonds Principal and Interest Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Senior Bonds Redemption Account” shall mean the Delaware Transportation Authority Senior Bonds Redemption Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Stabilization Fund” shall mean the Delaware Transportation Authority Debt Service Stabilization Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Supplemental Agreement” shall mean any agreement of the Authority modifying, altering, amending, supplementing or confirming the Agreement for any purpose, in accordance with the terms thereof.

“Tender Agent” shall mean the agent appointed in accordance with a Supplemental Agreement to accept the tender of Bonds, as determined by such Supplemental Agreement.

“Test Revenues” shall mean the aggregate amount of Delaware Turnpike Revenues, Motor Fuel Tax Revenues, Document Fees and Additional Revenues, as calculated pursuant to Section 2.07(b)(i) of the Agreement.

“Traffic Consultants” shall mean a firm or corporation having a nationwide and favorable reputation for skill and experience in making estimates of vehicular traffic, turnpike earnings, fees and taxes related to motor vehicle use and/or other transportation related matters with respect to which the Traffic Consultants are providing projections, estimates or other advice and counsel described in the Agreement.

“Trust Estate” shall mean at any particular time all right, title and interest of the Trustee in and to the Agreement (except any rights of the Authority to receive notices, certificates, requests, requisitions and other communications thereunder), including without limitation the Receipts and Revenues of the Authority, any Credit Facility (excluding the rights to make drawings thereunder with respect to the payment or purchase of Bonds and proceeds of such drawings), the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Stabilization Fund (but not the Operating Fund and the Operating Reserve Fund) and the Capital Fund (and Funds created in those Funds) and all moneys and investments from time to time on deposit therein (excluding, however, any moneys or investments held in the Rebate Account), any and all other moneys and obligations (other than Bonds) which at such time are deposited or are required to be deposited with, or are held or are required to be held by or on behalf of, the Trustee, the Paying Agent or any Co-Paying Agent in trust under any of the provisions of the Agreement and all other rights, titles and interests which at such time are subject to the lien of the Agreement; provided, however, that in no event shall there be included in the Trust Estate (a) moneys or obligations deposited with or paid to the Trustee for the redemption or payment of Bonds which are deemed to have been paid in accordance with Article VIII (“Defeasance”) of the Agreement or moneys held pursuant to Section 4.10 (“Money Held in Trust”) and 7.22 (“Rebate Account”) of the Agreement or (b) except as therein expressly provided, any moneys held by the Tender Agent or any other person for the purchase of Bonds or for payment of Bonds held or to be held by it pursuant to a draw under a Credit Facility; provided, further, however that advances or drawings under a Credit Facility may be subject to a lien under the Agreement in favor of holders of less than all of the Bonds Outstanding, as provided in any Supplemental Agreement and the lien of the holders of Junior Bonds shall be subordinate and subject in right of payment, to the extent and in the manner set forth in the Agreement, to the prior payment of all Senior Bonds but prior to the rights of holders of Senior Bonds with respect to the Junior Bonds Priority Funds.

“Turnpike Account” shall mean the Delaware Transportation Authority Turnpike Account created and designated by the provisions of Section 5.01 of the Agreement.

“Turnpike Operating Expenses” shall mean the Authority's reasonable and necessary current expenses of operating, maintaining and repairing the Delaware Turnpike and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of operation, maintenance and repair, which may include extraordinary operating, maintenance and repair expenses not annually recurring, ordinary and usual costs of equipment acquisition, premiums for insurance, fees and expenses of any Credit Facility, all administrative and engineering expenses relating to operation, maintenance and repair of the Delaware Turnpike (excluding administrative expenses of the Authority paid by the State, if any), legal expenses, advertising expenses, any taxes or assessments lawfully levied on the Delaware Turnpike, any payments to pension or retirement funds, any payments required to be made by the Authority under any interest rate exchange agreement entered into by the Authority, any other expenses required or permitted to be paid by the Authority under the provisions of the Agreement or by law including any expenses incurred by the Authority for any of the foregoing purposes.

“Variable Rate” shall mean an interest rate on a Bond that varies from period to period during the term of the Bond, which may or may not be subject to a put, and which may include an interest rate fixed for a period of time less than the term of the Bond, all as determined pursuant to a Supplemental Agreement.

Pledge and Assignment of Revenue

In the Agreement the Authority grants, bargains, sells, conveys, mortgages, pledges and assigns, and grants a security interest in, the Trust Estate to the Trustee, its successors in trust and their assigns forever in trust upon the terms and trusts therein set forth for the equal and proportionate benefit and security of all holders of the Bonds issued under and secured by the Agreement without preference, priority or distinction as to liens of any Bonds over any other Bonds except as otherwise provided therein or in any Supplemental Agreement; provided, however, that (a) the holders of Senior Bonds shall have a prior and superior lien on the Funds created under the Agreement to the lien of the holders of the Junior Bonds except with respect to the lien on the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and the Junior Bonds Debt Service Reserve Account (the lien of the holders of Junior Bonds on the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and the Junior Bonds Debt Service Reserve Account shall be prior and superior to the lien of the holders of Senior Bonds); (b) certain holders of Senior Bonds may be given a prior and superior lien to holders of other Senior Bonds in a Fund into which are only deposited proceeds of such Bonds together with interest thereon and investment proceeds thereof; (c) the holders of certain Bonds may be given a prior and superior lien in accounts into which are deposited proceeds of advances or draws under a Credit Facility ensuring the payment of such Bonds to the extent of any such deposit; and (d) proceeds of advances or draws under a Credit Facility ensuring the payment of principal of and interest on any series of Bonds shall be excluded from the pledge and assignment of the Trust Estate although held for the benefit of holders of Bonds.

Flow of Funds

Creation of Funds. The Agreement creates and establishes with the Trustee the following trust funds, and within those funds, the following accounts:

- Revenue Fund
 - Revenue Account
 - Investment Account
- Debt Service Fund
 - Senior Bonds Principal and Interest Account
 - Junior Bonds Principal and Interest Account
 - Senior Bonds Redemption Account
 - Junior Bonds Redemption Account
- Stabilization Fund
- Debt Service Reserve Fund
 - Senior Bonds Debt Service Reserve Account
 - Junior Bonds Debt Service Reserve Account
- Operating Fund
- Operating Reserve Fund
- Capital Fund
 - Turnpike Account
 - Other Projects Account
 - Settlement Account

Deposits to Revenue Fund. Receipts and Revenues of the Authority constituting Delaware Turnpike Revenue, Motor Fuel Tax Revenue, Document Fees and Additional Revenues shall be deposited in the Revenue Account. Earnings derived from any Fund created under the provisions of the Agreement other than the Rebate Account shall be deposited in the Investment Account.

Use of Money in Revenue Fund. It shall be the duty of the Trustee, on or before the 15th day of each month, to withdraw from the Revenue Account and the Investment Account an amount equal to the amount of all moneys held for the credit of those accounts on the tenth day of that month and deposit the sum so withdrawn to the credit of the following

Funds in the following order (provided that the Trustee first apply amounts in the Revenue Account to the credit of the following Funds):

(a) to the credit of the Senior Bonds Principal and Interest Account, such sum, if any, required to increase the amount in said account so that it equals the total of (a) the sum obtained by multiplying one sixth (1/6) of all unpaid interest on Senior Bonds (or interest on any obligation under any Credit Facility drawn upon to purchase any Senior Bonds and required to be paid under the terms of such Credit Facility in the next six months) due and payable on or before the next succeeding Interest Payment Date by the number of months in the period beginning seven months prior to such Interest Payment Date and ending on the date of such computation (provided that with respect to Senior Bonds bearing interest at intervals more frequently than once every six months or at a variable rate, the Trustee shall deposit such amounts as are necessary to pay interest on such Senior Bonds when due as provided in the applicable Supplemental Agreement) and (b) the sum obtained by multiplying one-twelfth (1/12) of all unpaid principal of serial Senior Bonds (or amounts attributable to principal of such Senior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of such Credit Facility in the next twelve months) due and payable on or before the date when the next installation of serial Senior Bonds shall mature by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(b) to the credit of the Senior Bonds Redemption Account, a sum obtained by multiplying one-twelfth (1/12) of the principal amount of the then Outstanding term Senior Bonds of each series required to be retired in satisfaction of Sinking Fund Payments therefor in the next succeeding twelve months (or amounts attributable to principal of Senior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of the Credit Facility in the next succeeding twelve months) by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(c) to the credit of the Senior Bonds Debt Service Reserve Account such amount, if any, of the balance remaining after making the deposits under clauses (a) and (b) above (or the entire balance if less than the required amount) as may be required to make the amount then to the credit of the Senior Bonds Debt Service Reserve Account equal to the Senior Bonds Debt Service Reserve Account Requirement or such greater amount as shall be determined by the Authority pursuant to a Supplemental Agreement provided such amount is originally funded with proceeds of Bonds or satisfied by a Credit Facility;

(d) to the credit of the Junior Bonds Principal and Interest Account, such sum, if any, required to increase the amount in said account so that it equals the total of (a) the sum obtained by multiplying one sixth (1/6th) of all unpaid interest on Junior Bonds (or interest on any obligation under any Credit Facility drawn upon to acquire any Junior Bonds and required to be paid under the terms of such Credit Facility in the next six months) due and payable on or before the next succeeding Interest Payment Date by the number of whole months in the period beginning seven months prior to such Interest Payment Date and ending on the date of such computation (provided that with respect to Junior Bonds bearing interest at intervals more frequently than once every six months or at a variable rate, the Trustee shall deposit such amounts as are necessary to pay interest on such Junior Bonds when due as provided in the applicable Supplemental Agreement) and (b) the sum obtained by multiplying one-twelfth (1/12th) of all unpaid principal of serial Junior Bonds (or amounts attributable to principal of such Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of such Credit Facility in the next twelve months) due and payable on or before the date when the next installment of serial Junior Bonds shall mature by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(e) to the credit of the Junior Bonds Redemption Account, a sum obtained by multiplying one-twelfth (1/12th) of the principal amount of the then Outstanding term Junior Bonds of each series required to be retired in satisfaction of Sinking Fund Payments therefor in the next succeeding twelve months (or amounts attributable to principal of Junior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of the Credit Facility in the next twelve months) by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(f) to the credit of the Junior Bonds Debt Service Reserve Account, such amount, if any, of the balance remaining after making the deposits under clauses (d) and (e) above (or the entire balance if less than the required amount) as may be required to make the amount then to the credit of the Junior Bonds Debt Service Reserve Account

equal to the Junior Bonds Debt Service Reserve Account Requirement or such greater amount as shall be determined by the Authority by resolution from time to time filed with the Trustee;

(g) to the credit of the Operating Fund, an amount necessary to increase the amount in said Fund to an amount equal to one-sixth (1/6) of the amount set forth in the Annual Budget to be expended from said Fund;

(h) if and only if the most recently-filed certificate of the Authority described in Section 4.05(d) of the Agreement (dealing with the debt service reserve fund) indicates that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by at least 3.00 times, then to the credit of the Operating Reserve Fund, an amount necessary to increase the amount in said Fund to an amount equal to one-sixth (1/6) of the amount set forth in the Annual Budget to be expended from the Operating Fund for the Delaware Turnpike;

(i) to the credit of the Stabilization Fund, an amount, together with any other amount credited to such Fund, equal to an amount to be determined by the Authority in a Supplemental Agreement with the initial deposit required to be made to the Stabilization Fund when a determination is made by the Authority that Test Revenues are less than 3.5 times the maximum Principal and Interest Requirements on Senior Bonds Outstanding; and

(j) the remainder, if any, to the Authority, free of the lien of the Agreement, for deposit to the Transportation Trust Fund, subject to the obligation to transfer interest earned on assets held therein to the Revenue Fund.

Deposits to and Uses of Funds in the Capital Fund. Bond proceeds borrowed for capital projects are deposited into the Capital Fund and disbursed by the Trustee to the Authority to pay for authorized projects in accordance with a requisition procedure provided in the Agreement. In payment of any such requisition, the Trustee is entitled to rely as to the completeness and accuracy of all statements in such requisition upon the approval of such requisition by an Authorized Authority Representative, execution thereof to be conclusive evidence of such approval.

Additional Bonds; Debt Service Reserve Fund

In addition to the requirements described in the body of this Official Statement no additional Bonds may be issued under the Agreement, unless the Trustee shall deduct from the proceeds of such additional Bonds and deposit to the credit of the appropriate account in the Debt Service Reserve Fund such amount, if any, as may be required to make the amount then to the credit of the appropriate account in the Debt Service Reserve Fund equal to the Senior Bonds Debt Service Reserve Account Requirement and/or the Junior Bonds Debt Service Reserve Account Requirement, as the case may be; (b) the Trustee shall deduct from such proceeds and deposit to the credit of the Stabilization Fund such amount, if any, as may be required to be deposited to the Stabilization Fund unless the Authority certifies to the Trustee that the Annual Budget has made provision for the amount required to be deposited in the current Fiscal Year and that such amount shall be available in amounts and at the times required by Supplemental Agreements.

Municipal Bond Investors Assurance Corporation ("MBIA") has issued surety bonds to meet a portion of the Senior Bonds Debt Service Reserve Account Requirement and a portion of the Junior Bonds Debt Service Reserve Account Requirement (the "Senior Bonds Debt Service Reserve Account Surety Bond" and the "Junior Bonds Debt Service Reserve Account Surety Bond"; collectively, the "Surety Bonds"). The Surety Bonds provide that upon notice from the Trustee to MBIA to the effect that insufficient amounts are on deposit in the Senior Bonds Principal and Interest Account and/or the Junior Bonds Principal and Interest Account, as the case may be, to pay the principal of (at maturity or pursuant to mandatory redemption requirements) or interest on the Senior Bonds and/or Junior Bonds, as the case may be, MBIA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Senior Bonds and/or Junior Bonds, as the case may be, or the available amount of the applicable Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a "Demand for Payment" in the form attached to the applicable Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Senior Bonds and/or Junior Bonds, as the case may be, specified in the Demand for Payment presented by the Trustee to MBIA, MBIA is required to make a deposit of funds in an account with Citibank, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in such Demand for Payment) subject to the terms of the applicable Surety Bond.

The available amount of each Surety Bond is the initial face amount of the Surety Bond less the amount of any previous deposits by MBIA with the Trustee which have not been reimbursed by or on behalf of the Authority. The

Authority and MBIA have entered into Financial Guaranty Agreements dated September 13, 1988 (the “Guaranty Agreements”). Pursuant to the Guaranty Agreements, the Authority is required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Paying Agent under a Surety Bond. Such reimbursement shall be made, in the case of the Senior Bonds Debt Service Reserve Account Surety Bond, only after all required deposits to the Senior Bonds Principal and Interest Account, the Senior Bonds Redemption Account (in each case for all Senior Bonds), the Senior Bonds Debt Service Reserve Account and the Operating Fund have been made. Such reimbursement shall be made in the case of the Junior Bonds Debt Service Reserve Account Surety Bond only after all required deposits to the Senior Bonds Principal and Interest Account, the Senior Bonds Redemption Account, the Senior Bonds Debt Service Reserve Account (in each case for all Senior Bonds), the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account (in each case for all Junior Bonds) and the Operating Fund have been made.

MBIA is required to be reimbursed, with interest, until the face amount of each Surety Bond is reinstated before any Pledged Revenue (other than funds in the Capital Fund) is transferred to the Trust Fund. No optional redemption of Senior Bonds or Junior Bonds may be made until each Surety Bond is reinstated. The Surety Bonds will be held by the Trustee in the Senior Bonds Debt Service Reserve Account and in the Junior Bonds Debt Service Reserve Account, as the case may be, and are provided (in lieu of cash) as an alternative to the Authority depositing exclusively cash equal to the total Senior Bonds Debt Service Reserve Account Requirement and the Junior Bonds Debt Service Reserve Account Requirement.

Investment of Funds

The moneys in the Funds shall, at the direction of the Authority, be invested and reinvested in Qualified Investments, provided, however, that moneys constituting proceeds of a drawing on a Credit Facility and, while the Credit Facility is in effect ensuring the payment of principal and interest on a series of Bonds, any moneys held by the Paying Agent pursuant to Section 4.10 (“Money Held in Trust”), of the Agreement or by a Tender Agent, Remarketing Agent or other similar person for the purchase or redemption of Bonds shall be invested only in Government Obligations which have a remaining term not exceeding 30 days or such shorter period as needed. Subject to the further provisions of Section 6.01 of the Agreement, such investments shall be made by the Trustee as directed and designated by the Authority in a certificate of, or telephonic advice promptly confirmed by a certificate of, an Authorized Authority Representative. As and when any amounts thus invested may be needed for disbursements from any Fund, the Trustee shall cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such Fund. As long as no Event of Default (as defined in Section 9.01 (“Events of Default”) of the Agreement) shall have occurred and be continuing, the Authority shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or conversion to cash of the investments made with the moneys in the Funds, provided that the Trustee shall be entitled to assume conclusively the absence of any such Event of Default unless it has notice thereof within the meaning of Section 10.05 (“Notice of Event of Default”) of the Agreement.

Investments shall be made from each Fund for a period not exceeding a period during which such investments are expected to be required to be converted to cash for application by or on behalf of the Authority provided that: (a) moneys held for the credit of the Revenue Fund and the Operating Reserve Fund shall not be invested in Qualified Investments which mature or which are not subject to redemption by the Trustee, at the option of the Trustee, later than one year after the date of such investment; (b) moneys held for the credit of the Debt Service Reserve Fund shall be invested in Qualified Investments which mature or which are not subject to redemption by the Trustee, at the option of the Trustee at such times as designated by the Authority.

In furtherance of the covenant of the Authority set forth in Section 7.22 (“Rebate Account”) of the Agreement, the Trustee shall comply with any and all instructions of the Authority, given from time to time, to pay all or a portion of the moneys in the Funds not constituting part of the Trust Estate to, or upon the order of, the Department of the Treasury of the United States of America, anything in the Agreement to the contrary notwithstanding.

Accounts, Reports and Audits

The Authority covenants that it will keep an accurate record of the total cost of the Delaware Turnpike and of transfers to the State to meet the costs of other Projects financed with the proceeds of Bonds, of the Receipts and Revenues of the Authority collected from the Delaware Turnpike, of Motor Fuel Tax Revenues, of Document Fees, of

Additional Revenues, if any, and of the application of such receipts and revenues. Such records shall be open during normal business hours of the Authority to the inspection of the Trustee and the holders of the Bonds and their agents and representatives.

The Authority further covenants that, in the months of January, April, July and October in each year, it will cause to be filed with the Trustee and mailed to all holders of Bonds who shall have filed their names and addresses with the Authority board for such purpose a report setting forth in respect of the preceding three months' period

(a) in reasonable detail, the Receipts and Revenues of the Authority and the Turnpike Operating Expenses (i) for such period and (ii) for the same period of the preceding Fiscal Year,

(b) all deposits to the credit of and withdrawals from each Fund created under the provisions of the Agreement during such period,

(c) the details of all Bonds issued, paid, purchased or redeemed during such period,

(d) a balance sheet as of the end of such period,

(e) the amount on deposit at the end of such period to the credit of each such Fund, the security therefor, and the details of any investments thereof, and

(f) any revisions during such period of the charges, fares, fees, rentals and tolls for the use or services of the Delaware Turnpike.

The Authority further covenants that promptly after the close of each Fiscal Year it will cause an audit to be made of its books and accounts relating to the Delaware Turnpike and the Receipts and Revenues of the Authority for the preceding Fiscal Year by an independent firm of certified public accountants of recognized ability and standing, to be chosen by the Authority. The Trustee shall make available to such accountants all of its books and records pertaining to the Delaware Turnpike and the Receipts and Revenues of the Authority. Promptly thereafter reports of each such audit shall be filed with the Authority and the Trustee and copies of such reports shall be mailed by the Authority to all holders of Bonds who shall have filed their names and addresses with the Authority board for such purpose. Each such audit report shall set forth in respect of the preceding Fiscal Year the same matters as are hereinabove required for the quarterly reports, the findings of such certified public accountants as to whether the moneys received by the Authority under the provisions of the Agreement during such Fiscal Year have been applied in accordance with the provisions of the Agreement, and whether any obligations for Turnpike Operating Expenses were incurred in the preceding Fiscal Year in excess of the total amount provided for Turnpike Operating Expenses in the Annual Budget for such Fiscal Year. Such quarterly reports and audit reports shall be open at all reasonable times to the inspection of the holders of Bonds and their agents and representatives.

The Authority further covenants that it will cause any additional reports or audits relating to the Delaware Turnpike to be made as required by law and that, as often as may be requested, it will furnish to the Trustee and the holder of any Bond such other information concerning the Delaware Turnpike or the operation thereof as any of them may reasonably request.

The cost of the reports and audits referred to above shall be payable from the Operating Fund.

Insurance

The Authority covenants that it will at all times, maintain, to the extent reasonably obtainable, the following insurance, with terms, conditions, provisions and costs, the Authority determines to be reasonable, subject to applicable, customary insurance practice:

(a) Multi-risk insurance on facilities of the Delaware Turnpike of an insurable nature and of the character usually insured by those operating similar facilities, covering direct physical loss or damage from causes customarily insured against, in amounts certified to be necessary or advisable by the Authority;

(b) Use and occupancy insurance covering loss of revenues by reason of the necessary interruption, total or partial, in the use of the Susquehanna River Bridge in the State of Maryland, in such amounts as the Authority shall certify will provide income during the period of interruption equal to the loss of Delaware Turnpike Revenues for a period of one year less the Turnpike Operating Expenses for that period;

(c) Public liability, landlord's liability and comprehensive motor vehicle liability insurance;

(d) During any improvement or reconstruction of the Delaware Turnpike, such insurance as is customarily carried by others under similar circumstances, unless maintained for the benefit of the Authority by contractors;

(e) Blanket crime policies on all officers and employees of the Authority who collect or have custody of or access to revenues, receipts or income of the Delaware Turnpike or any funds of the Delaware Turnpike;

(f) Boiler and machinery coverage; and

(g) Any additional or other insurance determined by the Authority to be necessary or advisable.

All such insurance policies shall be carried with a responsible insurance company or companies authorized or qualified under the laws of the State to assume the risks covered by such policy or policies.

The Trustees shall deposit the proceeds of physical loss or damage insurance to the credit of an account in the Capital Fund. The Authority shall give written instructions to the Trustee concerning the use of such money. The Trustee shall deposit the proceeds of use and occupancy insurance to the credit of the Revenue Fund immediately upon receipt and such proceeds shall be used, for the purposes permitted for moneys in such Fund. Instead of any of the foregoing policies of insurance, the Authority may establish one or more self-insurance funds to cover one or more of the risks required to be covered by the foregoing policies of insurance. Any self insurance fund shall be established pursuant to a written plan for funding and coverage adopted by the Authority. The plan shall, among other things, require that: (a) all funds be deposited with a fiduciary in trust pursuant to a written agreement; (b) an actuary shall prepare a written report recommending, among other things, the amounts to be deposited initially in the self insurance fund and the times by which such initial amounts shall be deposited; (c) a written report by an actuary, on at least a biennial basis, making recommendations on appropriate funding levels; and (d) the actuary hired by the Authority to make the foregoing reports shall be qualified and experienced.

Tax Law Compliance; Arbitrage Rebate

Tax Covenant. The Authority covenants for the benefit of the holders of the Bonds (a) that no use of the proceeds of the Bonds or the earnings thereon will be made, and no other action will be taken, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, (b) that all action with respect to the Bonds required to be taken to avoid characterization of the Bonds as "arbitrage bonds" under Section 148 of the Code shall be taken, (c) that the Authority will take all reasonable steps to ensure that interest on the Bonds is not included in gross income of the holder of any Bond for purposes of federal income taxation and (d) that the Authority will take no action to cause the Bonds to become "private activity bonds" as that term is used in Section 141(a) of the Code.

Rebate Account. The Agreement creates and establishes with the Trustee an account designated the "Delaware Transportation Authority Rebate Account" (the "Rebate Account"). The Trustee, at the direction of an Authorized Authority Representative shall transfer from the Investment Account to the Rebate Account amounts determined solely by the Authority as necessary to avoid characterization of the Bonds as "arbitrage bonds" under Section 148 of the Code. Amounts on deposit in the Rebate Account shall not be subject to any claim or charge in favor of the Trustee or any holder of a Bond. Upon receipt of written instructions from an Authorized Authority Representative, the Trustee shall pay to the United States of America amounts determined solely by the Authority and/or shall transfer amounts determined solely by the Authority to the Investment Account from the Rebate Account. All amounts on deposit in the Rebate Account may be invested in Qualified Investments at the direction of the Authority. Interest earned or profit realized on amounts invested in the Rebate Account shall be retained in the Rebate Account. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken with respect to amounts in the Rebate Fund or any

calculations made by the Authority or any other person with respect to rebate. The Trustee may conclusively rely on any instructions received from an Authorized Authority Representative with respect to rebate.

Other Covenants

Inspection of Delaware Turnpike. The Authority covenants that it will cause its Engineering Consultants to make an inspection of the Delaware Turnpike at least once in every other year and, on or before the 1st day of October in such year, to submit to the Authority a report or reports setting forth their findings whether the Delaware Turnpike has been maintained in good repair, working order and condition.

Use and Operation of the Delaware Turnpike. The Authority covenants that it will establish and enforce reasonable rules and regulations governing the use of the Delaware Turnpike and the operation thereof, that all conditions of employment and all compensation, salaries, fees and wages paid by it in connection with the operation, maintenance and repair of the Delaware Turnpike will be reasonable, that no more persons will be employed by it than are necessary, that all persons employed by it will be qualified for their respective positions, that it will maintain and operate the Delaware Turnpike in an efficient and economical manner, that from the then current Receipts and Revenues of the Authority it will at all times maintain the Delaware Turnpike in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will observe and perform all of the terms and conditions contained in the Act.

Covenants as to Tolls. The Authority covenants that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike. The Authority further covenants that it will not reduce tolls in effect on the Delaware Turnpike after the date of issuance of the 2005 Bonds unless the Authority board files a certificate with the Trustee showing that the Authority would have met the tests described in Section 2.07(b)(i)(A) and (B) ("Additional Bonds Coverage Tests") of the Agreement with respect to the Outstanding Bonds assuming a reduction in Delaware Turnpike Revenues for the applicable twelve-month period utilized in that Section 2.07(b)(i)(A) and (B) as if the reduction occurred on the first day of that period. The Authority may make any other adjustment or reclassification of toll rates or establish special toll rates for the Delaware Turnpike, provided that such adjustment or reclassification is recommended in writing by the Authority's Traffic Consultants and will not reduce Delaware Turnpike Revenues unless the Authority meets the foregoing test. Notwithstanding the foregoing provision, the tolls in effect on August 1, 1988 shall not be reduced.

Covenant Against Sale and Encumbrance; Exceptions. The Authority covenants that it will not sell or otherwise dispose of or encumber the Delaware Turnpike, or any part thereof, or any other physical assets of the Authority, subject to the other provisions of the Agreement, except those physical assets which the Authority either reasonably determines to be of no use for purposes of the Authority or for which the Authority is acquiring replacements.

The Authority may lease, or grant easements, franchises or concessions for the use of any part of the Delaware Turnpike and the net proceeds of any such lease, easement, franchise or concession shall be deposited as earned to the credit of the Revenue Fund.

Events of Default and Remedies; Respective Rights of Senior and Junior Bondholders

Events of Default. Each of the following events shall constitute and is referred to in the Agreement as an "Event of Default":

- (a) a failure to pay the principal of or premium, if any, on any Bond when the same shall become due and payable at maturity, upon redemption or otherwise;
- (b) a failure to pay an installment of interest on any Bond after such interest shall have become due and payable;
- (c) a failure to pay an amount due in respect of a put of any Bond for a period of two (2) Business Days after such amount shall have become due and payable (or such shorter period as provided by the applicable Supplemental Agreement);

(d) a failure of the Authority to transfer to the Trustee Receipts and Revenues of the Authority pledged to the Trustee under the Agreement;

(e) failure by the State to transfer to the Authority, or a reduction by the State subsequent to the effective date of the Agreement of the rate of, the Motor Fuel Taxes, the Document Fees or any fees and taxes yielding Additional Revenues imposed by the State;

(f) receipt by the Trustee of notice from the obligor of a Credit Facility ensuring the payment of principal and interest on any series of Bonds stating that an event of default under the applicable Credit Facility has occurred and directing the Trustee to declare the series of Bonds ensured by such Credit Facility to be immediately due and payable and directing the Trustee to draw on such Credit Facility;

(g) failure by the Authority to observe and perform any other covenant, condition, agreement or provision contained in the Bonds or in the Agreement on the part of the Authority to be observed or performed for the benefit of the holders of Bonds, which failure shall continue for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of holders of not less than 10% in principal amount of the Bonds then Outstanding of any series, unless the Trustee, or the Trustee and the holders of a principal amount of Bonds not less than the principal amount of Bonds the holders of which requested that such notice be given, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued;

(h) the Authority (i) files a petition under the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code"), as amended or superseded, makes an assignment for the benefit of creditors, enters into a composition with creditors or commences a case or proceeding for reorganization or readjustment of its debts, for dissolution, liquidation or commences a similar procedure under the law of any jurisdiction, whether now or hereafter in effect; (ii) is, or admits in writing that it is, insolvent, bankrupt, is unable generally to pay its debts as they become due or its debts are greater than its property net of any property which was transferred, concealed or removed with the intent to hinder, delay or defraud its creditors; (iii) applies to any government or governmental entity for the appointment of a Custodian (as such term is defined in Section 101(10) of the Bankruptcy Code) for itself or for all or any substantial or material part of its property; or (iv) has transferred, concealed or removed any of its property with intent to hinder, delay or defraud any of its creditors generally or the holders of the Bonds, in particular, or has received less than reasonably equivalent value in a transfer of all or a substantial or material part of its property; or

(i) the Authority (i) has commenced against it an involuntary case or proceeding referred to in paragraph (h) above which is not dismissed on the day of such commencement; (ii) has an order of relief entered against it in such an involuntary case or proceeding; (iii) consents to, grants approval of or acquiesces to such involuntary case or proceeding; or (iv) is subject to the appointment of a Custodian for it or all or any substantial part of its property and such Custodian is not dismissed by a court of competent jurisdiction (and all such property returned) on the day of such Custodian's appointment.

Upon the occurrence and continuation of any Event of Default other than an Event of Default described in (f) or (g) of the preceding paragraph with respect to Bonds of any series, the Trustee may, and at the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds of such series or upon the occurrence and continuation of an Event of Default described in (f) of the preceding paragraph and at the written request of the obligor under a Credit Facility ensuring the payment of the principal of and interest on a series of Bonds, shall, declare such series of Bonds to be immediately due and payable, whereupon they shall, without further action become and be immediately due and payable, anything in the Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall give prompt notice of acceleration to any Tender Agent and any Remarketing Agent, and shall give notice thereof by Mail to all holders of Outstanding Bonds of all series. In the case of an Event of Default described in the preceding paragraph occurring when a Credit Facility is in effect and with respect to which the Trustee is required to draw to effect an acceleration of the Bonds, the Trustee shall make the aforesaid declaration on the first Business Day on or after the occurrence of such Event of Default that the Trustee may make a drawing or drawings on such Credit Facility (but shall not make such declaration prior to such date) unless provisions to the contrary are made in the applicable Supplemental

Agreement. So long as there are any 1988, 1992 or 1993 Series Junior Bonds Outstanding and MBIA is not in default under either of its policies insuring principal and interest on those bonds, the Junior Bonds may not be accelerated by virtue of an Event of Default without the prior written approval of MBIA.

The provisions of the preceding paragraph, however, are subject, when no Credit Facility shall be in effect ensuring the payment of principal of and interest on a series of Bonds, to the condition that if, after the principal of any Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Authority shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum borne by the Bonds) and such amounts as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee (including reasonable counsel fees and expenses), and all Events of Default other than nonpayment of the principal of Bonds which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority, any Tender Agent and any Remarketing Agent, and, if notice of the acceleration of any Bonds shall have been given to the holders of said Bonds, shall give prompt notice thereof by Mail to all holders of Outstanding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of the second preceding paragraph are further subject to the condition that, if an Event of Default described in clause (f) of the third preceding paragraph shall have occurred and if the Trustee shall thereafter have received notice from the obligor of a Credit Facility ensuring the payment of principal of and interest on a series of Bonds (a) that the notice which caused the Event of Default to occur has been withdrawn and (b) that the amounts available to be drawn on that Credit Facility to pay (i) the principal of said Bonds or the portion of the purchase price equal to principal and (ii) interest on said Bonds and the portion of purchase price equal to accrued interest have been reinstated all in amounts that are required to maintain the then ratings on said Bonds, then, in every such case, such Event of Default shall be deemed waived and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority, the obligor under the applicable Credit Facility, any Tender Agent and any Remarketing Agent, and, if notice of the acceleration of said Bonds shall have been given thereof, by Mail to all holders of Outstanding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon or the rights of holders of any other series of Bonds.

Remedies. Upon the occurrence and continuation of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the obligor under any Credit Facility ensuring the payment of principal of and interest on a series of Bonds in respect of which an Event of Default has occurred or the holders of not less than 25% in principal amount of the Bonds of any series then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the holders of said Bonds and require the Authority, or the obligor under any Credit Facility ensuring the payment of principal of and interest on any Bonds to carry out any agreements with or for the benefit of the holders of said Bonds and to perform its or their duties under the Act, any Credit Facility and the Agreement;

(b) bring suit upon said Bonds; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of said Bonds.

Note: If the State violates its contractual obligation to impose and collect motor vehicle fuel taxes, motor vehicle document fees, motor vehicle registration fees or the fees and taxes yielding Additional Revenue at the rates in effect on the date of issuance of the 2005 Bonds or requires the use of that revenue for some purpose other than as assigned to secure the Bonds, the State would be subject to a bondholders' suit, and, under Delaware law, probably would not be able to avail itself of the defense of sovereign immunity. Payment of any award against the State obtained by a judgment creditor, however, must be appropriated by the State legislature. In addition the overriding interest of the State in

promoting the health, safety and welfare of the people of the State, may affect the enforceability of the contractual obligation and may justify the impairment of the contract.

Limitation on Holders' Right to Institute Proceedings. No holder of a Bond of any series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Agreement, or any other remedy thereunder or on the Bonds, unless such holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Agreement and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding of such series shall have made written request of the Trustee so to do, after the right to institute said suit, action or proceeding shall have accrued and is continuing and shall have afforded the Trustee sixty (60) days to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby (including reasonable counsel fees and expenses), and the Trustee shall not have complied with such request within sixty (60) days after receipt of the request (provided no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the Outstanding Bonds of such series); and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the holders of the Bonds of such series shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Agreement, or to enforce any right thereunder or under the Bonds, except in the manner therein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Agreement and for the equal benefit of all holders of the Bonds of such series. In any event, no one or more holders of Bonds of any series shall have any right in any manner whatever by virtue of the Agreement to affect, disturb or prejudice the rights of any other holder of Bonds of any series or to obtain priority or preference over any other holder or to enforce any right under the Agreement except in the manner or to the extent therein provided and with respect to any series, for the equal and ratable benefit of all holders of Bonds of that Series.

Obligors' Right Under Credit Facility or Holders' Right to Direct Proceedings. Anything in the Agreement to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then Outstanding thereunder with respect to which an Event of Default has occurred shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Agreement or exercising any trust or power conferred on the Trustee by the Agreement; provided, however, that the obligor under any Credit Facility shall have no such rights, as a holder of Bonds or a deemed holder of Bonds, in respect of proceedings taken by holders of Bonds against such obligor. For purposes of this Section, an obligor under any Credit Facility ensuring the payment of principal of and interest on any Bonds shall be deemed the holder of those Bonds, absent a default in the obligations of the obligor of that Credit Facility under the Credit Facility, unless the applicable Supplemental Agreement provides to the contrary.

Application of Money. Any money received by the Trustee or by any holder of a Bond pursuant to any right given or action taken under the provisions of Article IX ("Defaults and Remedies") of the Agreement, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the expenses, liabilities and advances incurred or made by the Trustee (including reasonable counsel fees and expenses), and the payment and setting aside of reasonable and necessary amounts to meet Turnpike Operating Expenses as determined by a firm of Engineering Consultants, shall be deposited in the Debt Service Fund for such series of Bonds and all money so deposited in the Debt Service Fund for such series of Bonds during the continuance of an Event of Default (other than money for the payment of Bonds which had matured or otherwise become payable prior to such Event of Default) shall be applied as follows with respect to each series of Bonds (provided, however, that any drawing by the Trustee under a Credit Facility for the payment of principal of, or premium, if any, or interest on the Bonds shall be applied only to the payment of the principal of or premium, if any, or interest on the particular Bonds identified in the applicable Credit Facility):

(a) Under and subject to the provisions of Section 7.22 of the Agreement, to the Rebate Account in an amount, together with any other amounts on deposit or credited to, such account, sufficient to meet the Authority's obligation to make payments to the United States of America as required under Section 148 of the Code.

(b) Unless the principal of all the Bonds shall have become due and payable, all such money shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on Senior Bonds, with interest on overdue installments of interest then due on such Bonds, if lawful, at the rate per annum borne by such Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to

pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any Senior Bonds which shall have become due (other than such Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Agreement), with interest on such Bonds at their rate from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; (iii) third, to the payment to the persons entitled thereto of all installments of interest then due on Junior Bonds, with interest on overdue installments of interest then due on such Bonds, if lawful, at the rate per annum borne by such Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (iv) fourth, to the payment to the persons entitled thereto of the unpaid principal of any Junior Bonds which shall have become due (other than such Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Agreement), with interest on such Bonds at their rate from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; provided, however, that money derived from the rights of the Trustee under a Credit Facility shall not be applied to the payment of the principal of or premium, if any, or interest on any Bonds held of record by the Authority, by the obligor under a Credit Facility or by any Tender Agent or other person for the account of the Authority or other person if a Credit Facility prohibits by its terms a drawing thereunder for such purpose.

(c) If the principal of all Senior Bonds shall have become due and payable, all such money shall be applied (i) first to the payment of the principal and interest then due and unpaid upon Senior Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and (ii) second, to the payment of the principal and interest then due and unpaid upon Junior Bonds whether or not the principal of all Junior Bonds shall have become due and payable, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over any other installment of interest, or of any Junior Bond over any other Junior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; provided, however, that money derived from the rights of the Trustee under a Credit Facility shall not be applied to the payment of the principal of or premium, if any, or interest on Bonds held of record by the Authority, by the obligor under a Credit Facility or by any Tender Agent for the account of the Authority if the applicable Credit Facility prohibits by its terms a drawing thereunder for such purpose.

(d) If the principal of all Junior Bonds shall have become due and payable and there are no Senior Bonds Outstanding all such money shall be applied as set forth in clauses (b)(iii) and (b)(iv) above.

(e) If the principal of all the Bonds of a series shall have come due and payable, and if acceleration of the maturity of said Bonds by reason of such Event of Default shall thereafter have been rescinded and annulled under the provisions of Article IX ("Defaults and Remedies") of the Agreement, then, subject to the provisions of clause (c) of this Section which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the money shall be applied in accordance with the provisions of clause (b) of this Section.

Trustee's Notice of Event of Default. The Trustee shall not be required to take notice, or be deemed to have notice, of any default or Event of Default under the Agreement (i) other than an Event of Default under clause (a), (b) or (c) of the first paragraph of Section 9.01 ("Events of Default") of the Agreement or (ii) unless an officer of the Trustee assigned by the Trustee to administer its corporate trust matters has been specifically notified in writing of such default or Event of Default by holders of at least 25% in principal amount of the Bonds then Outstanding of any series, by the Authority, by the obligor under a Credit Facility ensuring payment of principal or interest on any series of Bonds, by a Tender Agent or in the case of an Event of Default under clause (h) or (i) of the first paragraph of Section 9.01 of the Agreement, by any holder. The Trustee may, however, at any time, in its discretion, require of the Authority full information and advice as to the performance of any of the covenants, conditions and agreements contained in the Agreement.

Action by Trustee. The Trustee shall be under no obligation to take any action in respect of any default or Event of Default under the Agreement with respect to Bonds of any series other than an Event of Default described in clause (f) of Section 9.01 (“Events of Default”) of the Agreement, or toward the execution or enforcement of any of the trusts thereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by holders of at least 25% in principal amount of the Outstanding Bonds of such series and, if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may reasonably require, with security and indemnity satisfactory to it (including reasonable counsel fees and expenses); but the foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given by any provisions of the Agreement to the Trustee to take action in respect to any default or Event of Default without such notice or request from the holders of Bonds or the obligor under a Credit Facility or without such security or indemnity.

Notice to Owners of Event of Default. If an Event of Default occurs of which the Trustee has notice within the meaning of Section 10.05 (“Notice of Event of Default”) of the Agreement and any such Event of Default shall continue for at least two days after the Trustee has notice thereof within the meaning of Section 10.05 of the Agreement, unless the Trustee shall have theretofore given a notice of acceleration pursuant to Section 9.01 (“Events of Default”) of the Agreement, the Trustee shall give prompt notice thereof to the Authority, any Tender Agent, any Remarketing Agent and any obligor under a Credit Facility and give notice by Publication and by Mail to all holders of Outstanding Bonds for which it is acting as Trustee. Such Trustee shall also give notice of any Event of Default to any other Trustee appointed pursuant to the Agreement and such Trustee shall likewise give prompt notice to all holders of Outstanding Bonds for which it is acting as Trustee.

Trustee; Paying Agents

Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts created by the Agreement, but only upon the additional terms set forth in Article X (“Trustee; Paying Agent and Co-Paying Agents; Registrar”) of the Agreement, to all of which the Authority agrees and the respective holders of the Bonds agree by their acceptance of delivery of any of the Bonds. By accepting and agreeing to act as Trustee for holders of Senior Bonds and/or Junior Bonds, the Trustee is agreeing to act for holders of Bonds of all series of Senior Bonds and/or Junior Bonds, as the case may be, subject to the rights of the Trustee to resign and be discharged of the trusts created by the Agreement.

Paying Agent; Co-Paying Agents; Depositary. The Authority shall appoint the Paying Agent for the Bonds and may at any time or from time appoint one or more Co-Paying Agents for a series of Bonds and one or more Depositaries for the receipt of Revenue and Receipts pledged to the Trustee under the Agreement, subject to the conditions set forth in Section 10.22 (“Qualifications of Paying Agent, Co-Paying Agents and Depositary; Resignation; Removal”) of the Agreement.

Responsibility of Fiduciaries

Notwithstanding any other provisions of Article X of the Agreement, the Trustee shall, during the existence of an Event of Default of which the Trustee has actual notice, exercise such of the rights and powers vested in it by the Agreement and use the same degree of skill and care in their exercise as a prudent man would use and exercise under the circumstances in the conduct of his own affairs.

Limitation on Liability. The Trustee may execute any of the trusts or powers created under the Agreement and perform the duties required of it thereunder by or through attorneys, agents, receivers, or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty thereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or employee selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the Agreement or for anything whatsoever in connection with the trust created thereby, except only for its own negligence, willful misconduct or bad faith or for failure to exercise reasonable care in the selection of any attorney, agent or employee acting thereunder. The Trustee shall notify the Authority before selecting any agent to act on behalf of the Trustee in order to permit the Authority reasonable opportunity to join in any contract with such agent. The Authority shall, from the Receipts and Revenue of the Authority, indemnify and save the Trustee harmless against any liabilities which the Trustee may incur in the exercise and performance of its powers and duties under the Agreement, except for liabilities arising out of the negligence, willful misconduct or bad faith of the Trustee.

Good Faith Reliance. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, telex, facsimile transmission, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of the Agreement, or upon the written opinion of any attorney, engineer, accountant or other expert believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

Defeasance

If the Authority shall pay or cause to be paid to the holder of any Bond secured by the Agreement the principal of and premium, if any, and interest due and payable, and thereafter to become due and payable, upon such Bond or portion of such Bond, such Bond or portion thereof shall cease to be entitled to any lien, benefit or security under the Agreement. If the Authority shall pay or cause to be paid to the holders of all the Bonds secured thereby the principal and premium, if any, and interest due and payable, and thereafter to become due and payable, thereon, and shall pay or cause to be paid all other sums payable thereunder by the Authority, including but not limited to Subordinate Indebtedness, if any, then, and in that case, the right, title and interest of the Trustee in and to the Trust Estate shall thereupon cease, terminate and become void. In such event, the Trustee shall assign, transfer and turn over to the Authority the Trust Estate, including, without limitation, any balance remaining in any Fund; provided, however, that prior to any such assignment, transfer and turning over to the Authority as aforesaid, the Trustee shall pay to any obligor under a Credit Facility an amount equal to the lesser of (i) the total amount which the Credit Facility obligor informs the Trustee in writing is owed by the Authority to the obligor under such Credit Facility and (ii) the total amount remaining in all Funds.

All or any portion of Outstanding Bonds or portions of Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section when:

(a) in the event said Bonds or portions thereof have been selected for redemption in accordance with Section 3.02 ("Selection of Bonds to be Redeemed") of the Agreement, the Trustee shall have given, or the Authority shall have given to the Trustee in form satisfactory to it, irrevocable instructions to give, on a date in accordance with the provisions of Section 3.03 ("Procedure for Redemption") of the Agreement, notice of redemption of such Bonds or portions thereof; and

(b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which, when due, and without any regard to reinvestment thereof, will provide moneys which, together with the moneys, if any deposited with or held by the Trustee, shall be sufficient to pay when due the principal of and premium, if any, and interest (at the maximum rate permitted, if such deposit shall be made with respect to Bonds bearing interest at the Short-Term Rate reflecting however any period during which the Short-Term Rate has been fixed at a rate or rates less than the maximum permitted rate) due and to become due on said Bonds or portions thereof on and prior to the redemption date or maturity date thereof, as the case may be; provided, however, that, if required by the Supplemental Agreement pursuant to which the Bonds were issued, such moneys shall constitute Available Moneys and that such Government Obligations either shall have been purchased with Available Moneys, or, shall otherwise qualify as Available Moneys; and

(c) in the event said Bonds or portions thereof do not mature and are not to be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given pursuant to Section 3.03 ("Procedure for Redemption") of the Agreement, a notice to the holders of said Bonds or portions thereof that the deposit required by clause (b) above has been made with the Trustee and that said Bonds or portions thereof are deemed to have been paid in accordance with Article VIII of the Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bonds or portions thereof.

Neither the Government Obligations nor moneys deposited with the Trustee pursuant to Article VIII of the Agreement nor principal or interest payments on any such Government Obligations shall be withdrawn (unless a substitution is made with other Government Obligations) or used for any purpose other than, and such Government Obligations, moneys and principal or interest payments shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds or portions thereof, or for the payment of the purchase of said Bonds in accordance with any applicable agreement with a Tender Agent or other person; provided, that, during an Interest Period which is not a fixed rate period with respect to Bonds bearing interest at a Short-Term Rate or with respect to any Bonds bearing interest at the Long-Term Rate, such moneys, if not then needed for such purposes, shall, at the direction of an Authorized Authority Representative and to the extent practicable, be invested and reinvested in Government Obligations maturing on or prior to the earlier of (a) the date moneys shall be required for the purchase of Bonds pursuant to any applicable agreement with a Tender Agent or other person; and (b) the Interest Payment Date next succeeding the date of investment or reinvestment, and interest earned from such investments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge under the Agreement, unless there are insufficient other funds to redeem said Bonds; and provided, further, that, during a fixed rate period with respect to Bonds bearing interest at a Short-Term Rate or with respect to any Bonds bearing interest at the Long-Term Rate, any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purposes, shall, at the direction of an Authorized Authority Representative and to the extent practicable, be invested in Government Obligations of the type described in clause (b) of the next preceding paragraph maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, and interest to become due on said Bonds or portions thereof on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge under the Agreement unless there are insufficient other funds to redeem said Bonds. If payment of less than all the Bonds is to be provided for in the manner and with the effect provided in this Section, the Authority shall select such Bonds or portions of Bonds in the manner specified by Section 3.02 ("Selection of Bonds to be Redeemed") of the Agreement for selection for redemption of less than all Bonds in the principal amount designated to the Trustee by the Authority.

Modification of The Agreement

Limitations. The Agreement shall not be modified or amended in any respect subsequent to the first issuance of the Bonds except as provided in and in accordance with and subject to the provisions of Article XII ("Modification of This Agreement") of the Agreement.

Supplemental Agreements without Consent of Holders of Bonds. The Authority and the Trustee may, from time to time and at any time, without the consent of or notice to the holders of the Bonds, enter into Supplemental Agreements as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Agreement;
- (b) to grant to or confer or impose upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Agreement as theretofore in effect;
- (c) to add to the covenants and agreements of, and limitations and restrictions upon, the Authority in the Agreement, other covenants, agreements, limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Agreement as theretofore in effect, including, but not limited to, agreements to pledge Additional Revenues to the Trustee for the benefit of the holders of the Bonds;
- (d) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Agreement, of the Receipts and Revenues of the Authority pledged or to be pledged under the Agreement or of any other moneys, securities or funds;
- (e) to authorize the issuance of additional Bonds pursuant to the Agreement, to authorize a different denomination or denominations of the Bonds or to permit the issuance of the Bonds in the form of coupon Bonds and to make correlative amendments and modifications to the Agreement regarding exchangeability of Bonds of different

denominations and forms, redemptions of portions of Bonds of particular denominations and forms and similar amendments and modifications of a technical nature;

(f) to modify, alter, amend or supplement the Agreement in any and all respects which may be necessary, desirable or appropriate in connection with any supplement to the Agreement relating to the priority of sources of funds derived from a Credit Facility to be used for the payment of the principal of and premium, if any, and interest on the Bonds, changes to the provisions relating to the priority of sources of funds derived from a Credit Facility to be used for the purchase of Bonds and, changes to the default provisions referred to in Section 9.01(c) or (f) ("Events of Default") of the Agreement;

(g) to modify, alter, supplement or amend the Agreement in such manner as shall permit the qualification thereof under the Trust Indenture Act of 1939, as from time to time amended;

(h) to modify, alter, supplement or amend the Agreement in such manner as shall be necessary, desirable or appropriate in order to provide for the registration and registration of transfer of the Bonds through a book-entry or similar method, whether or not the Bonds are evidenced by certificates;

(i) to provide a method for the determination of a Short-Term Rate; and

(j) to modify, alter, amend or supplement the Agreement in any other respect which is not materially adverse to the holders of the Bonds and which does not involve a change described in clause (i), (ii), (iii) or (iv) of Section 12.03(a) ("Supplemental Agreements with Consent of Holders of Bonds") of the Agreement.

Before the Authority and the Trustee shall enter into any Supplemental Agreement pursuant to this Section, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and does not adversely affect the exclusion from gross income of the interest on the Bonds for purposes of Federal income taxation.

Supplemental Agreements with Consent of Holders of Bonds. (a) Except for any Supplemental Agreement entered into pursuant to Section 12.02 ("Supplemental Agreements without Consent of Holders of Bonds") of the Agreement, subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than fifty-one (51) percent in aggregate principal amount of the Bonds then Outstanding which would be adversely affected thereby (and, in certain cases, with the approval of MBIA) shall have the right from time to time to consent to and approve the execution and delivery by the Authority and the Trustee of any Supplemental Agreement deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding which would be adversely affected thereby, nothing therein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or premium, if any, or interest on any Outstanding Bond, a change in the purchase price or time of purchase of Bonds put pursuant to the terms thereof, a reduction in the principal amount or redemption price of any Outstanding Bond or a change in the method of determining the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the Authority pledged under the Agreement ranking prior to or on a parity with the claim, lien or pledge created by the Agreement, or (iii) a preference or priority of any other Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of Bonds the consent of the holders of the Bonds of which is required for any such Supplemental Agreement.

(b) If at any time the Authority shall request the Trustee to enter into any Supplemental Agreement for any of the purposes of this Section, the Trustee shall cause notice of the proposed Supplemental Agreement to be given by Publication at least once a week for two successive weeks, and by Mail to all holders of Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that a copy thereof is on file at the office of the Trustee for inspection by all holders of Bonds.

(c) Within two years after the date of the first publication of such notice, the Authority and the Trustee may enter into such Supplemental Agreement in substantially the form described in such notice only if there shall have first been delivered to the Trustee (i) the required consents, in writing, of the holders of the Bonds and (ii) an opinion

of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the Authority in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the Bonds for purposes of Federal income taxation.

(d) If the holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution and delivery thereof, no holder of a Bond shall have any right to object to the execution and delivery of such Supplemental Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Authority or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

(e) Subject to the terms and provisions contained in this subsection (e) of this Section, the holders of all the Bonds at any time Outstanding shall have the right, and the Authority and the Trustee by their execution and delivery of the Agreement expressly confer upon such holders the right to modify, alter, amend or supplement the Agreement in any respect, including without limitation in respect of the matters described in clauses (i), (ii), (iii) and (iv) of the proviso contained in subsection (a) of this Section, by delivering to the Authority and the Trustee a written instrument or instruments, executed by or on behalf of such holders, containing a form of Supplemental Agreement which sets forth such modifications, alterations, amendments and supplements, and, upon the expiration of a thirty (30) day period commencing on the date of such delivery during which no notice of objection shall have been delivered by the Authority and the Trustee to such holders at an address specified in such written instrument, such Supplemental Agreement shall be deemed to have been approved and confirmed by the Authority and the Trustee, to the same extent as if actually executed and delivered by the Authority and the Trustee and such Supplemental Agreement shall thereupon become and be for all purposes in full force and effect without further action by the Authority and the Trustee. The foregoing provisions are, however, subject to the following conditions:

(i) no such Supplemental Agreement shall in any way affect the limited nature of the obligations of the Authority under the Agreement as set forth in Sections 2.06 ("Security for the Bonds") and 7.01 ("Payment of Bonds") thereof or shall adversely affect any of its rights thereunder;

(ii) no such Supplemental Agreement shall be to the prejudice of the obligor under any Credit Facility, the Paying Agent or Co-Paying Agent, any Depositary, the Registrar, any Tender Agent, or any Remarketing Agent; and

(iii) there shall have been delivered to the Authority and the Trustee an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms, will, upon the expiration of the aforesaid thirty (30) day period, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the Bonds for the purposes of Federal income taxation.

Effect of Supplemental Agreement. Upon the execution and delivery of any Supplemental Agreement pursuant to the provisions of the preceding Sections, the Agreement shall be, and be deemed to be, modified, altered, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Agreement of the Authority, the Trustee and all holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Agreement subject in all respects to such modifications, alterations, amendments and supplements.

APPENDIX C

Form of Continuing Disclosure Agreement

DELAWARE TRANSPORTATION AUTHORITY
\$120,640,000
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 1997
\$19,385,000
TRANSPORTATION SYSTEM JUNIOR REVENUE BONDS, SERIES 1997

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of August 15, 1997 (the “Disclosure Agreement”) is executed and delivered by THE DELAWARE TRANSPORTATION AUTHORITY (as more fully defined below, the “Authority”) in connection with the issuance of the above captioned bonds (the “1997 Bonds”). The Authority, intending to be legally bound, hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Holders from time to time of the Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Additional Bonds” shall mean any indebtedness of the Authority issued subsequent to the 1997 Bonds which the Authority has declared in writing to be covered by this Disclosure Agreement.

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Authority” shall mean The Delaware Transportation Authority, or any successor Obligated Person that assumes either by operation of law or by contract or both (i) the obligation to pay debt service on the Bonds and (ii) the obligations of the Authority under this Disclosure Agreement.

“Bonds” shall mean the 1997 Bonds and any Additional Bonds, if any.

“Dissemination Agent” shall mean any agent of the Authority designated in writing by the Authority which has filed with the Authority a written acceptance of such designation.

“Holder” shall mean any registered holder of Bonds, provided however that with respect to any Bond registered in a “street name” or the name of a nominee such as The Depository Trust Company, the term “holder” shall mean any person which produces reasonable documentary evidence that it is a beneficial owner of a Bond.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, VA 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORIES

Attn: Municipal Dept.
Bloomberg Business Park
100 Business Park Drive
Skillman, New Jersey 08558
(609) 279-3200 (phone)
(609) 279-3224 (phone)
(609) 279-5962 (fax)
(U.S. Mail: P.O. Box 840
Princeton, NJ 08542-0840]
E-Mail: Munis@Bloomberg.com

THOMSON NRMSIR

Attn: Municipal Disclosure
395 Hudson Street, 3rd Fl.
New York, New York 10014
(212) 807-5001 (phone)
(800) 689-8466 (phone)
(212) 989-2078 (fax)
E-Mail: Disclosure@Muller.com

DISCLOSURE, INC.

Attn: Document Acquisitions/Municipal Securities
5161 River Road
Bethesda, Maryland 20816
(301) 718-2390 (phone)
(800) 638-8241 (phone)
(301) 951-1366 (fax)
E-Mail: Sherri.sewalt@Disclosure.com

DONNELLEY FINANCIAL

559 Main Street
Municipal Securities Disclosure Archive
Hudson, Massachusetts 01749
(800) 580-3670 (phone)
(508) 562-1969 (fax)
E-Mail: Sspotkill@rrdfin.com

KENNY INFORMATION SYSTEMS, INC.

Attn: Kenny Repository Service
65 Broadway, 16th Fl.
New York, New York 10006
(212) 770-4595 (phone)
(212) 797-7994 (fax)

MOODY'S NRMSIR

Attn: Public Finance Information Center
99 Church Street, 6th Floor
New York, New York 10007-2701
(800) 339-6306 (phone)
(212) 553-1460 (fax)

DPC DATA INC.

One Executive Drive
Fort Lee, New Jersey 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-Mail: nrmsir@dpcdata.com

“Obligated Person” shall have the meaning set forth in the Rule, provided that the sole objective criteria used to select the Obligated Person shall be the entity obligated to repay all debt service with respect to the relevant Bonds.

“Participating Underwriter” shall mean any of the original underwriters of any Bonds required to comply with the Rule in connection with the offering of such Bonds.

“Repository” shall mean each National Repository and each State Repository, if any.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

“State” shall mean the Department of Finance of the State of Delaware, to the attention of the Director of Bond Finance.

“State Repository” shall mean any public or private repository or entity designated by the State of Delaware as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

“Trust Agreement” shall mean the Trust Agreement dated as of August 1, 1988 between the Authority and Wilmington Trust Company, as amended.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the first day of the eighth calendar month immediately following the end of the Authority's fiscal year, provide to the State and each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent, if any. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that audited financial statements of the Authority may be submitted separately from the balance of the Annual Report.

(b) If the Authority is unable to provide the Annual Report to Repositories by the date required in subsection (a), the Authority shall send a notice to each Repository (or to the MSRB and the State Repository) in substantially the form attached as Exhibit A.

(c) The Dissemination Agent, if any, shall (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the Authority certifying that the Annual Report has been filed pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Audited financial statements of the Authority not submitted as part of the Annual Report shall be provided to each Repository, if and when available to the Authority, and in any event not more than thirty (30) days after receipt thereof from the Authority's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the Authority shall provide in lieu thereof unaudited financial statements meeting the description set forth in Section 4(a)(i) hereof.

(e) The Authority shall promptly provide written notice of any change in its fiscal year to the MSRB and to each Repository.

SECTION 4. Content of Annual Reports

(a) The Authority's Annual Report shall contain or incorporate by reference the information listed in Exhibit B with respect to the relevant fiscal year.

(b) Any or all of the information required may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

(c) If any information described in Section 4(a) above can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the Authority under this Section 4, provided however that the Authority shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds (each, a "Listed Event"):

1. Principal and interest payment delinquencies;
2. Non payment-related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls (other than mandatory sinking fund redemption);
9. Defeasance of Bonds;
10. Release, substitution, or sale of property securing repayment of any Bonds;
or
11. Rating changes.

(b) If the occurrence of a Listed Event would be material to holders of Bonds in accordance with the applicable “materiality” standard under then-current securities laws, the Authority shall in a timely manner file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB and the State Repository (if any). Notwithstanding the foregoing, notice of Listed Events need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Trust Agreement, provided that such notice is given in a timely manner.

SECTION 6. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited by either a certified public accountant or an independent public accountant and shall be prepared in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (“GAAP”), and (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however, that the Authority may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal or state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof; however, such modifications shall be disclosed in the first Annual Report to be provided subsequent to such modifications.

SECTION 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of the

prior Obligated Person both hereunder and under the Bonds. The prior Obligated Person shall provide timely written notice to each Depository of any termination of its obligations hereunder.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendments.

(a) Notwithstanding any other provision of this Disclosure Agreement, the Authority may modify or amend this Disclosure Agreement upon receipt of a written opinion of nationally recognized bond counsel to the effect that the then-current requirements of the Rule have been satisfied. The Authority acknowledges and agrees that the current SEC interpretation of the Rule requires satisfaction of the following preconditions:

(i) the modification or amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the Authority, or change in the type of business conducted by the Authority;

(ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and

(iii) the modification or amendment does not materially adversely affect the interests of Holders, as determined either by a party unaffiliated with the Authority (such as the Trustee or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

Compliance with the provisions of this Section 9(a) shall be conclusively evidenced by a written opinion of nationally recognized bond counsel to the effect that the modification or amendment satisfies the requirements of this Section 9(a) and the then-current requirements of the Rule.

(b) The Authority shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the Authority shall include as a component of the first Annual Report to be provided subsequent to the relevant amendment, a copy of the amendment, together with a notice explaining in narrative form both (i) the reasons for the amendment, and (ii) the impact of the change in the type of operating data or financial information being provided. To the extent required by the Rule, if the amendment relates to changes in accounting principles to be followed in preparing financial statements, the first Annual Report to be provided subsequent to the relevant amendment shall also include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles and a qualitative (and to the extent reasonably feasible, quantitative) discussion of the differences in the accounting principles and the impact of the change in the accounting principles upon the presentation of the financial information. Written notice of any such change in accounting principles shall be provided in a timely fashion to each Depository.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including

disclaimers or any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Authority to comply with any provisions of this Disclosure Agreement, the Trustee, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Holder's rights under applicable federal securities law.

SECTION 12. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 13. Entire Agreement. This Disclosure Agreement contains the entire agreement of the Authority with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto, provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in *pari materia* with the Rule.

SECTION 14. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 15. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Participating Underwriters and Holders from time to time of the Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in respect to this Disclosure Agreement or any covenants, conditions or provisions contained herein.

SECTION 16. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the Delaware Transportation Authority has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

DELAWARE TRANSPORTATION AUTHORITY

(SEAL)

By: _____
Transportation Trust Fund Administrator

EXHIBIT A

**NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]**

DELAWARE TRANSPORTATION AUTHORITY
\$120,640,000
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 1997
\$19,385,000
TRANSPORTATION SYSTEM JUNIOR REVENUE BONDS, SERIES 1997

NOTICE IS HEREBY GIVEN that The Delaware Transportation Authority (the “Authority”) has not provided an Annual Report [Audited Annual Financial Statements] as required by the Continuing Disclosure Agreement which was entered into in connection with the issuance of the above-captioned bonds. The Authority anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____.

Date: _____, _____

DELAWARE TRANSPORTATION AUTHORITY

By: _____

EXHIBIT B

CONTENTS OF ANNUAL REPORT

The Annual Report shall contain the following with respect to the prior fiscal year:

1. Audited financial statements in form and content substantially the same as those appended to the Authority's Official Statement with respect to the Bonds;
2. An update of the type of information included in the below-listed tables in the Official Statement:
 - (a) Summary of Revenue Dedicated to the Trust Fund (p. 7);
 - (b) Summary Results (p. 11);
 - (c) History of Gallonage and Revenue from Motor Fuel Taxes (p. 27);
 - (d) Vehicle Trips and Delaware Turnpike Revenue (p. 32);
 - (e) Delaware Turnpike Barrier Tolls (p. 34);
 - (f) Route 1 Toll Schedule and the amount of toll revenue received from the Route 1 Toll Road during the prior fiscal year (pp. 36-37);
 - (g) History of Motor Vehicle Document Fees (p. 38);
 - (h) History of Motor Vehicle Registrations and Revenue (p. 42); and
 - (i) History of Miscellaneous Transportation Revenue (p. 46);
3. A statement of the proposed capital authorizations which have been approved for the current fiscal year (p. 52).

APPENDIX D

Proposed Form of Opinion of Bond Counsel

December 1, 2005

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, 2005 SERIES

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance on the date hereof of Delaware Transportation Authority Transportation System Senior Revenue Bonds, 2005 Series, dated December 1, 2005, in the principal amount of \$150,000,000 (the "Bonds"), by the Delaware Transportation Authority, a body politic and corporate constituting a public instrumentality (the "Authority") of The State of Delaware (the "State"). The Bonds are subject to redemption, in whole or in part, at the times, in the manner and upon the terms set forth in the Bonds.

The Bonds are issued pursuant to Chapter 13, Title 2, Delaware Code, as amended, and Chapter 14, Title 2, Delaware Code, as amended (collectively, the "Act"), a Trust Agreement dated as of August 1, 1988, by and between the Authority and Wilmington Trust Company, a State banking corporation ("WTC") (WTC, not in its individual capacity but solely as trustee, the "Trustee"), as amended and supplemented, including by Supplemental Agreement No. 18, dated as of December 1, 2005 (the "Trust Agreement"), and a resolution of the Authority dated November 16, 2005 (the "Resolution"), and other laws of the State, for the purposes of financing a portion of the Delaware Department of Transportation's capital program, financing a deposit to the Senior Bonds Debt Service Reserve Account, refunding a general obligation bond anticipation note of the Authority and paying costs of issuing the Bonds.

As bond counsel, we have examined an executed counterpart of the Trust Agreement, a certified copy of the Resolution, the form of the Bonds and applicable laws. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary for the purposes of the opinion rendered below, including the Authority's Tax Certificate (the "Tax Certificate"). In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. We have relied upon the aforesaid instruments, certificates and documents as to any facts material to our opinion, when relevant facts were not independently established and on the performance of the covenants of the Authority contained in the Resolution. We have relied, as to the execution, authentication and delivery of, and payment for, the Bonds, on certificates of the Authority and the Trustee.

Based on the foregoing, we are of the opinion, on the date hereof, that:

- (1) The Authority is a body politic and corporate constituting a public instrumentality of the State duly created and validly existing under and by virtue of the Act.
- (2) The Resolution has been duly adopted by the Authority, is in full force and effect and is a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms.

(3) The Authority has duly authorized, executed and delivered the Trust Agreement and the Trust Agreement constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

(4) The Bonds constitute legal and valid limited obligations of the Authority enforceable against the Authority in accordance with their terms. The Bonds are entitled to the benefits and the security, and are subject only to the terms and conditions, set forth in the Resolution and the Trust Agreement.

(5) Interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

(6) In addition, under existing law, the Bonds, interest on the Bonds and their transfer shall be exempt from taxation by the State and its political subdivisions, except for estate, inheritance or gift taxes imposed by the State.

The foregoing opinions relating to the enforceability against the Authority of the Resolution, the Trust Agreement and the Bonds are qualified to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights and remedies of creditors generally, and general principles of equity.

APPENDIX E

Traffic and Earnings Report for the Delaware Turnpike and
Route 1 Toll Road, dated October 28, 2005, prepared by URS Corporation

TRAFFIC AND EARNINGS REPORT

for



In connection with the
Delaware Transportation Authority
Transportation System Senior Revenue Bonds, 2005 Series

October 2005

Prepared for the



DELAWARE DEPARTMENT OF TRANSPORTATION

By

URS

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October 28, 2005

Mr. Nathan Hayward III
Secretary
Delaware Department of Transportation
800 Bay Road/Route 113
Dover, DE 19903

Attn: Mr. John D. Nauman
Assistant Director, Finance

Gentlemen:

In accordance with your request, URS Corporation d/b/a URS Corporation Americas, a Nevada corporation (URS) has developed estimates of traffic and revenue for the Delaware Turnpike (I-95) and the State Route (SR) 1 Toll Road through the year 2012, in connection with the issuance by the Delaware Transportation Authority of its Delaware Transportation Authority Transportation System Senior Revenue Bonds, 2005 Series.

As set forth herein, the estimates for the Turnpike are based on its actual traffic and earnings record from its opening in 1963 through the fiscal year ended June 2005 (FY 2005), including data for three months of FY 2006 (July through September); and on a series of comprehensive studies of traffic patterns and revenue trends undertaken by us during the Turnpike's 42 years of operation. For SR 1, the estimates are based on its actual traffic and revenue record since the opening of the first section of the project in December 1993; its staged completion through May 2003; and, as with the Turnpike, the results through FY 2005 and for the first three months of FY 2006.

Of particular significance is the recent toll increase on the Turnpike, implemented on October 1, 2005, at which time the auto/cash toll was increased from \$2.00 to \$3.00, the auto/*E-ZPass* discount was discontinued (the former toll was \$1.25, it is now \$3.00), truck tolls were increased commensurately, and a substantial discount for trucks (of three or more axles with *E-ZPass*) which pass through the Newark plaza between 10:00 PM and 6:00 AM was established. Details on the new toll schedule are covered on page E-4; and the data provided by the Delaware Department of Transportation (DelDOT) to establish the groundwork for the impact on traffic and revenue of the toll increase, are covered on pages E-10-11.

No toll changes are scheduled on SR 1.

I-95/DELAWARE TURNPIKE

The Delaware Turnpike is an integral part of the transportation network in the Northeast Corridor.

Transportation Infrastructure in the Northeast Corridor

The 11-mile Delaware Turnpike is a key link in the Northeast Corridor's I-95 route from New England, New York, Philadelphia and Wilmington to Baltimore, Washington and the south. It forms the trunk of the system, whose branches include I-95 (north to Wilmington, Philadelphia and Trenton), I-295 and the New Jersey Turnpike (north to Trenton and New York), and I-495 (north toward Philadelphia via the Port of Wilmington). To the south, it connects directly with Maryland's Turnpike (I-95) for service to Baltimore and beyond.

Delaware Turnpike interchanges in New Castle County, the most northerly of Delaware's three counties, are located, from north (east) to south (west), at SR 141, combined SR 1/7, SR 273 and SR 896. The SR 1/7 connection leads to the SR 1 Toll Road at Tybouts (see pages E-14-16), while SR 896 connects with US 301 which leads to the Chesapeake Bay Bridge at Annapolis.

A service area, with fuel and restaurant facilities, is located in the median of the Turnpike between the SR 273 and SR 896 interchanges, producing concession revenue for the Authority; and a single Turnpike toll plaza (the Newark plaza) is located between SR 896 and the Maryland line.

The Turnpike consists of eight lanes from SR 141 to the Newark plaza, serving both long-distance Corridor traffic and commuter traffic between Wilmington and Newark (via SR 896), where the volumes are highest. South (west) of the Newark plaza, the laneage drops to six, coinciding with the six Turnpike lanes in Maryland.

Toll Collection

The Delaware Turnpike was opened to traffic in 1963. When the toll collection system was established at that time, it consisted of a single mainline plaza (the Newark plaza) near the Maryland line and ramp tolls at SR 896, SR 273 and SR 7, resulting in a "closed" toll system with all users paying at one point or another. The ramp tolls were removed in 1976, so that, now, local users who do not travel into Maryland can use the Turnpike toll-free.

The Newark plaza currently has a total of 20 toll lanes, of which four are dedicated *E-ZPass* lanes. Express high-speed *E-ZPass* lanes are planned by 2012 (see page E-13).

Tolls at the Newark plaza have been increased periodically (in 1977, 1981, 1984, 1989, 1993 and 1999) over the years, since the initial 30-cent toll (for autos, higher for trucks) was established in 1963. The toll schedule that was in place prior to the most recent toll increase on October 1, 2005, was established essentially in September 1993 (FY 1994) and January 1999 (FY 1999), when:

- In September 1993, the auto toll was increased to \$1.25, and truck tolls were increased with commensurate increases for trucks; and
- In January 1999, when the auto/cash toll was increased to \$2.00, leaving the auto/*E-ZPass* toll at \$1.25. (*E-ZPass* was implemented at the Newark plaza in November 1998.)

The essential changes on October 1, 2005 are:

- < The two-axle/cash toll was increased from \$2.00 to \$3.00;
- < The two-axle *E-ZPass* toll discount was discontinued, boosting it to \$3.00 to match the auto/cash toll; and
- < Truck tolls (three or more axles) were increased commensurately, as shown in Table 1, but to offset this and to induce truckers to use the Turnpike during its light (late night) traffic period, those, with *E-ZPass*, who pass through the Newark plaza between 10:00 PM and 6:00 AM are afforded a 75 percent discount.

Table 1 lists the former and present toll schedules on the Turnpike at the Newark plaza:

Table 1
I-95/Delaware Turnpike Tolls

Vehicle Class	Tolls		Increase	Discounted Truck Tolls 10/1/05 ^(C)
	Through 9/30/05	Effective 10/1/05		
2-Axle/HOV	\$0.625 ^(A)	(B)	—	—
2-Axle/ <i>E-ZPass</i>	1.25	3.00	140%	—
2-Axle/Cash	2.00	3.00	67	—
3-Axle	2.50	5.00	100	\$1.25
4-Axle	3.75	6.00	60	1.50
5-Axle	5.00	8.00	60	2.00
6-Axle	6.25	10.00	60	2.50
Permit	10.00	10.00	—	—

(A) \$12.50 for 20 trips.

(B) Eliminated.

(C) Trucks with *E-ZPass*, 10:00 PM – 6:00 AM.

For the full-length, 11-mile stretch from SR 141 to the Maryland line, the two-axle toll rate for cash-payers now is 27 cents per mile. While this seems high, the 13-mile section of I-95 north of SR 141 is toll-free, thereby reducing the overall (24-mile) per-mile rate to 12.5 cents per mile.

Since the Delaware Turnpike section of I-95 connects directly with the Maryland section of I-95, it is useful to compare the two toll schedules in terms of the auto tolls, and the tolls for the predominant long-distance five-axle truck. The round-trip tolls are shown because the Maryland tolls are collected in only one direction (northbound), while the Delaware Turnpike tolls are collected in each direction.

Table 2
Comparative I-95 Tolls

Vehicle Class	Representative Round-Trip Tolls	
	I-95 Newark Plaza ^(A) (Delaware)	I-95 Susquehanna River ^(B) (Maryland)
2-Axle/Cash	\$ 6.00	\$ 5.00
5-Axle	16.00	20.00

(A) Toll, effective October 1, 2005, collected each way; round-trip tolls shown in the table.

(B) Tolls implemented in November 2003. Collected one-way northbound; southbound no toll.

During the past decade, one-way tolls were considered at Delaware's Newark plaza and rejected, due to the network of alternative routes crossing the state line between Delaware and Maryland. There is no natural barrier between Delaware and Maryland as there is at the Susquehanna River in Maryland. A doubling of the toll at the Newark plaza in one direction could potentially induce significant traffic diversions, particularly by trucks.

Historical Growth of Traffic, Toll Revenue and Concession Revenue

With the opening of the Delaware Turnpike in 1963, the Turnpike has a 42-year record at the Newark toll plaza of traffic and revenue growth. During its first 25 years of operation, traffic through the Newark plaza increased by a factor of 3.4, from 5.9 million vehicles in 1964, its first full year of operation, to 19.9 million vehicles in FY 1989. (References to *traffic* throughout the report are intended to mean *toll-paying traffic*.) During this same period, toll revenues collected at the Newark plaza increased by a factor of 13.7, from \$1.9 million to \$26.1 million, reflecting the completion of nearly all of I-95 between Maine and Florida, and the Turnpike's toll increases from \$.30 (for passenger cars, higher for trucks) early in the period to \$1.00 by the end of the period.

Early in the period, tolls were also collected on the Turnpike ramps at SR 7, SR 273, SR 896, but, as mentioned previously, these tolls were discontinued in 1976.

Commensurate with the increase in traffic, concession revenues (from the two service stations and restaurant facility) increased from \$690,000 in 1964 to \$1,556,000 in FY 1989.

Since 1989, traffic, toll revenue and concession revenue have continued to increase, despite the 25 percent toll increase (from \$1.00 to \$1.25 for passenger cars and other two-axle vehicles, higher for trucks) in September 1993 (FY 1994), and the increase in the passenger car cash toll from \$1.25 to \$2.00 in January 1999 (FY 1999), reaching a plateau during the past two years.

Table 3 lists the Turnpike traffic and revenue record for the period from FY 1990-2005. Included are the concession revenues earned from the fuel (Exxon and Sunoco) and restaurant (Marriott) sales at the service plaza. (Due to its location midway between New York and Washington, the Delaware Turnpike service plaza is the busiest turnpike service plaza in the Northeast Corridor.)

Table 3
I-95/Delaware Turnpike Traffic and Revenue, FY 1990-2005

Fiscal Year	Annual Transactions		Toll Revenue		Concession Revenue		Total Revenue (000)
	Volume (000)	Percent Change	Amount (000)	Avg. per Vehicle	Amount (000)	Avg. per Vehicle	
1990	20,526	—	\$28,316	\$1.380	\$1,567	\$.076	\$29,883
1991	20,950	+2.1%	28,996	1.384	1,545	.074	30,541
1992	21,789	+4.0	29,476	1.353	1,669	.077	31,145
1993	22,305	+2.4	30,418	1.364	1,842	.083	32,260
1994 ^(A)	22,251	-0.2	36,748	1.652	1,853	.083	38,601
1995 ^(A)	23,451	+5.4	40,258	1.717	2,047	.087	42,305
1996	23,848	+1.7	40,580	1.702	2,075	.087	42,655
1997	25,091	+5.2	41,795	1.666	2,124	.085	43,919
1998	25,649	+2.2	43,276	1.687	2,216	.086	45,492
1999 ^(B)	25,837	+0.7	51,258	1.984	2,265	.088	53,523
2000 ^(B)	26,138	+1.2	60,187	2.303	2,313	.088	62,500
2001	26,724	+2.2	60,243	2.254	2,304	.086	62,547
2002	27,633	+3.4	60,165	2.177	2,302	.083	62,467
2003 ^(C)	27,727	+0.3	59,099	2.131	2,332	.084	61,431
2004	28,553	+3.0	59,986	2.101	2,465	.086	62,451
2005 ^(D)	28,411	-0.5	59,346	2.089	2,591	.091	61,937

(A) Toll increase September 1993. Impact felt in FY 1993 and FY 1994.

(B) Toll increase in January 1999. Impact felt in FY 1999 and FY 2000.

(C) Growth rate affected by severe winter weather.

(D) Growth rate affected by increasing fuel prices; see text on page E-7.

The source of the traffic and toll revenue data in Table 3, as well as the data in Tables 4, 5, 6, 7, 8, 9, 14, 15, 16, 17 and 18 is DelDOT Toll Operations.

While the two-axle discounted toll rate (at \$1.25) for *E-ZPass* users was instituted in January 1999, following the establishment of *E-ZPass* and DelDOT's joining of the *E-ZPass* Interagency Group, note in Table 3 that the average toll per vehicle has been declining since FY 2001. (DelDOT has since left the Interagency Group and established its own customer service center, open 24 hours per day, seven days per week. All interagency *E-ZPass* transactions, however, are still accepted at the Newark plaza and on SR 1.)

The *E-ZPass* discount, in fact, resulted in a drop (of 1.8 percent) in revenue in FY 2003, even though traffic was up 0.3 percent. This phenomenon moderated, to an extent, in FY 2004 with 1.5 percent increase in revenue along with the 3.0 percent increase in traffic, as the average toll continued to decrease; but in FY 2005, traffic was down 0.5 percent and revenue was down 1.1 percent, with the average toll continuing to decline. This phenomenon is discussed below with respect to the *E-ZPass* market share, but it is important to note that, with the toll increase on October 1, 2005, the *E-ZPass* discount was eliminated.

Concession revenue, expressed in terms of the average amount per vehicle (i.e., the average yield per toll-paying vehicle at the Newark toll plaza), has averaged 8.6 cents since 1993. The contracts with Exxon, Sunoco and Marriott continue through March 2007, September 2008 and June 2008, respectively.

Table 4 lists the two-axle/cash versus two-axle/*E-ZPass* results since FY 2000, the first full year following the implementation of *E-ZPass* on the Turnpike in January 1999. It is only the two-axle/*E-ZPass* user who was eligible for the *E-ZPass* discount (\$1.25 *E-ZPass* versus \$2.00 cash) between January 1999 and September 30, 2005.

Table 4
I-95/Delaware Turnpike E-ZPass Market Share, FY 2000-2005

Fiscal Year	Two-Axle Transactions*(000)			Percent <i>E-ZPass</i>
	Cash	<i>E-ZPass</i>	Total	
2000	20,306	1,907	22,213	8.6%
2001	19,057	3,568	22,625	15.8
2002	18,297	5,615	23,912	23.5
2003	16,524	7,589	24,113	31.5
2004	15,965	8,841	24,806	35.6
2005	14,434	10,061	24,495	41.1

* Excluding HOV.

The table indicates that the two-axle *E-ZPass* market share has consistently increased during the six years since it was implemented on the Delaware Turnpike, reaching the 41 percent level in FY 2005. Part of this can be attributed to the regional aspect of *E-ZPass* convenience in the Northeast Corridor, where, for example, *E-ZPass* has exceeded the 70 percent level in the New York metropolitan area; and on the other hand, the deep discount offered on the Delaware Turnpike up until October 1, 2005 also has generated the increase in *E-ZPass* usage.

The effect of the two-axle *E-ZPass* discount is reinforced by viewing its impact on revenue as well as traffic. Table 5 summarizes the Turnpike traffic and revenue results for FY 2005 by vehicle class (i.e., toll classification):

Table 5
I-95/Delaware Turnpike Traffic and Revenue by Toll Classification, FY 2005

Vehicle Class	Transactions		Toll	Toll Revenue	
	Volume (000)	Percent of Total		Amount (000)	Percent of Total
2-Axle/HOV	2	0.0%	\$.625*	\$ 1	0.0%
2-Axle <i>E-ZPass</i>	10,061	35.4	1.25	12,576	21.2
2-Axle Cash	14,434	50.8	2.00	28,868	48.7
3-Axle	510	1.8	2.50	1,275	2.1
4-Axle	415	1.5	3.75	1,556	2.6
5-Axle	2,928	10.3	5.00	14,640	24.7
6-Axle	48	0.2	6.25	300	0.5
Permit	13	0.0	10.00	130	0.2
Total	28,411	100.0		59,346	100.0

* \$12.50 for 20 trips

Note that, while two-axle/*E-ZPass* users represented 35.4 percent of the total FY 2005 traffic, they accounted for only 21.2 percent of the toll revenue. Looking beyond the two-axle category, trucks of three or more axles represented 30.1 percent of the total revenue. These percentages have changed over the years with the increasing *E-ZPass* market share, and will change in FY 2006 with the implementation of the new toll schedule on October 1, 2005.

The monthly traffic variations at the Newark plaza are listed in Table 6:

Table 6
I-95/Delaware Turnpike Monthly Traffic, FY 2005

Month	Monthly Transactions		Average Daily Traffic	
	Volume (000)	Percent of Total	Volume	Ratio to Avg. Month
July 2004	2,838	10.0%	91,548	1.18
August	2,797	9.8	90,226	1.16
September	2,249	7.9	74,967	.96
October	2,356	8.3	76,000	.98
November	2,323	8.2	77,433	.99
December	2,329	8.2	75,129	.97
January 2005	1,883	6.6	60,742	.78
February	1,838	6.5	65,643	.84
March	2,286	8.1	73,742	.95
April	2,370	8.3	79,000	1.01
May	2,618	9.2	84,452	1.08
June	2,524	8.9	84,133	1.08
Total	28,411	100.0	77,838	1.00

The average daily toll transactions ranged from a low of 22 percent below the annual average in January to a high of 18 percent above the average in July, the peak month for recreational travel in the Northeast Corridor. November was the closest month to the annual average. The Thanksgiving weekend has consistently been the highest travel period on the Turnpike, with the Christmas-New Year holiday period also generating peak traffic demand.

Moving beyond FY 2005, data are now available for the first three months of FY 2006 through September, still under the former toll schedule that was in effect through September 30, 2005. Table 7 summarizes these data relative to the corresponding traffic and revenue in FY 2005:

Table 7
I-95/Delaware Turnpike Traffic and Revenue, FY 2005-2006 through September*

July- September of FY	Transactions		Toll Revenue	
	Volume (000)	Percent Change	Amount (000)	Avg. per Vehicle
2005	7,885	—	\$16,333	\$2.071
2006	7,762	-1.6%	15,923	2.051

* July 2005 through September 2005 versus July 2004 through September 2004.

Turnpike traffic during the first three months of FY 2006 was down 1.6 percent, with the average toll continuing to drop along with the increasing *E-ZPass* market share. URS attributes the reduced traffic level in FY 2005 (–0.5 percent) and so far in FY 2006 to reduced auto travel due to the higher fuel prices. This also has been observed among the *E-ZPass* Interagency Group operators in the Northeast Corridor. However, fuel prices have been coming down since September, which we expect will reverse the downward course. For the remainder of FY 2006, the estimate of Turnpike traffic and revenue must also take into account the toll increase implemented on October 1, 2005.

Impact of October 1, 2005 Toll Increase

With this report dated October 28, 2005, URS was only able to compile post-toll-increase data for the period immediately following the toll increase on October 1, 2005. This provides an early indication on the impact of the toll increase. The periods selected were the weeks of September 24-30 and October 1-7.

Table 8 summarizes the before-and-after data, by vehicle class, for both traffic and toll revenue:

Table 8
I-95/Delaware Turnpike, Pre- and Post-Toll-Increase Traffic and Revenue Results

Vehicle Class	September 24-30, 2005			October 1-7, 2005			Change in Transactions
	Transactions	Toll	Toll Revenue	Transactions	Avg. Toll	Toll Revenue	
2-Axle/ <i>E-ZPass</i>	201,264	\$1.25	\$251,580	203,174	\$3.00	\$609,441	+0.9%
2-Axle/Cash	229,445	2.00	458,890	226,705	3.00	680,115	–1.2
3-Axle	9,599	2.50	23,997	9,036	4.573 ^(A)	41,317	–5.9
4-Axle	7,788	3.75	29,205	7,600	5.166 ^(B)	39,264	–2.4
5-Axle	60,335	5.00	301,675	59,550	6.741 ^(C)	401,412	–1.3
6-Axle	835	6.25	5,219	838	7.468 ^(D)	6,258	+0.4
Total	509,266	2.102	1,070,566	506,876	3.507	1,777,807	–0.5

(A) \$5.00, except \$1.25 for *E-ZPass* users, 10:00 PM – 6:00 AM.

(B) \$6.00, except \$1.50 for *E-ZPass* users, 10:00 PM – 6:00 AM.

(C) \$8.00, except \$2.00 for *E-ZPass* users, 10:00 PM – 6:00 AM.

(D) \$10.00 except \$2.50 for *E-ZPass* users, 10:00 PM – 6:00 AM.

The results indicate that two-axle traffic was hardly affected: *E-ZPass* users up 0.9 percent (despite the 140 percent toll increase), cash payers down 1.2 percent, total two-axle vehicles down 0.2 percent. Truck traffic, on the other hand, was down 2.0 percent overall, with the predominant five-axle category down only 1.3 percent.

While total traffic for the week was down 0.5 percent, revenues were up 35 percent due to the toll increase.

Overall, the impact of the toll increase on traffic appears to be insignificant based on these early results. URS realizes, however, that, in the weeks and months ahead, motorists and truckers may react differently, but we believe this is doubtful. This is the I-95 corridor, truck restrictions are enforced on SR 4 and the other parallel local routes in the Newark area, US 40 (three miles to the south) is a poor alternative, and Maryland's toll increase in November 2003 showed no lasting traffic impacts. In fact, DelDOT's data for the week of October 10-16 indicated even more encouraging results. Traffic was up from 506,876 in the first week to 519,809, and revenue increased from \$1,777,807 to \$1,907,209.

In addition to the summary in Table 8, *E-ZPass* truck traffic (vehicles of 3+ axles) was further analyzed to ascertain whether there was a shift to nighttime (10:00 AM-6:00 AM) usage to take advantage of the 75 percent toll discount:

Table 9
I-95/Delaware Turnpike, Impact of Discounted Nighttime E-ZPass Truck Tolls

Vehicle Class	September 24-30, 2005				October 1-7, 2005			
	<i>E-ZPass</i> Transactions			Percent 10:00PM-6:00 AM	<i>E-ZPass</i> Transactions			Percent 10:00PM-6:00 AM
	6:00 AM-10:00 PM	10:00 PM-6:00 AM	Total		6:00 AM-10:00 PM	10:00 PM-6:00 AM	Total	
3-Axle	5,664	1,089	6,753	16.1%	5,305	1,030	6,335	16.3%
4-Axle	3,544	1,497	5,041	29.7	3,567	1,408	4,975	28.3
5-Axle	28,555	12,487	41,042	30.4	28,431	12,498	40,929	30.5
6-Axle	418	258	676	38.2	397	283	680	41.6
Total	38,181	15,331	53,512	28.6	37,700	15,219	52,919	28.7

Here, again, the shift (so far) is insignificant; in fact, during the week of October 10-16, the 10:00 PM-6:00 AM *E-ZPass* trucks had dropped from 28.7 percent in the first week to 22.4 percent of the 24-hour total. Even so, it will take more time to ascertain if there is any long-term impact. For now, the available before-and-after data should suffice.

Factors Affecting Turnpike Traffic Growth

The previous section of the report set forth the historical traffic and revenue data for the Turnpike, including the impact of the implementation of *E-ZPass* in January 1999. As an established route within an established region, the factors affecting Delaware Turnpike traffic growth during the forecast period through 2012 were considered to be (1) the impact of the October 1, 2005 toll increase, containing the elimination of the two-axle *E-ZPass* discount; (2) population

tends and forecasts in the Northeast corridor and their relationship to traffic growth; and (3) highway improvements in the regional transportation network.

With the Delaware Turnpike serving as a central link in I-95 between Washington and New York, the population of the five states and District of Columbia provide the base from which most of the traffic passing through the Newark Plaza is generated. Table 10 lists the historical and projected population:

Table 10
Northeast Corridor Population

Year	Population (000)							Average Annual Growth
	DC	MD	DE	PA	NJ	NY	Total	
1980	638	4,217	594	11,864	7,365	17,558	42,236	—
1990	604	4,798	665	11,895	7,740	18,003	43,705	0.3%
2000	572	5,296	786	12,281	8,414	18,976	46,325	0.6
2005	551	5,601	841	12,427	8,745	19,258	47,423	0.5
2010	530	5,905	888	12,584	9,018	19,444	48,369	0.4
2015	506	6,208	932	12,711	9,256	19,547	49,160	0.3

Source: U.S. Bureau of the Census and Delaware Population Consortium.

Locally, the toll-free routes that run parallel to the Delaware Turnpike in the Newark area (SR 4, Old Baltimore Pike and US 40) have existed for many years, so the traffic patterns and toll impacts are well established and are an accomplished fact. The traffic regulations restricting thru trucks over nine tons from using SR 4 or Old Baltimore Pike (west of SR 896, in the vicinity of the Turnpike's Newark plaza) have been in place for 15 years and are well enforced.

Similarly, on a more regional basis, SR 896 south into US 301, and from there to the Chesapeake Bay Bridge, was (except for a 10-mile section north and west of Middletown, Delaware) upgraded to a four-lane, at-grade facility with good control of access; but, here again, this is an established route with established traffic patterns vis-a-vis the Delaware Turnpike. It is important to disclose, however that DelDOT is currently studying the financial and environmental feasibility of constructing a toll road connector between I-95 and US 301 in Maryland, using a portion of the SR 1 Toll Road as part of the US 301 Connector routing. If constructed—the earliest completion would be 2010—the connector could be expected to divert some traffic from the Newark plaza, but since it would be operated as a toll project, the impact on Turnpike system revenue would be neutralized.

In addition to the US 301 Connector project, DelDOT will be making major improvements to I-95/Delaware Turnpike, including (1) the reconfiguring of the I-95/SR 1 interchange at Christiana and the Christiana Mall (by 2010), (2) the widening of the Turnpike from the SR 1/Christiana interchange eastward (northward) to the I-95/I-295 junction (by 2009), and (3) the conversion of the Newark toll plaza to include three high-speed *E-ZPass* lanes in each direction (by 2012). The widening between the SR 1 interchange and the I-95/I-295 junction, a distance of over three miles, will include a system of collector-distribution roads as far south (west) as SR 273, that also service the Christiana Mall.

Elsewhere on I-95 and its “branches,” DelDOT has planned improvements to the US 202 (Concord Pike) interchange, north of Wilmington, scheduled to be completed by 2012; and improvements to I-295, planned to be completed by 2015. These improvements follow the extensive roadwork on I-95, from the I-295/I-495 junction to the Pennsylvania line that was completed between 2000 and 2003.

The application of the population forecast and I-95 corridor network improvements was incorporated, along with that on SR 1 corridor, in DelDOT’s Peninsula (traffic simulation) Model for the purpose of developing the traffic and revenue forecasts for the Turnpike. The model was validated to replicate present highway network conditions (including the I-95 and SR 1 toll roads in the network), with current traffic counts and other data.

URS ran the model for 2003 and then for 2030, based on the model’s current growth forecast without any modification for increased development in the Turnpike corridor. This approach was considered prudently conservative. The impact of the October 1, 2005 toll increase was considered outside the model (i.e., on a post-model basis). The model output was used solely for the growth potential from 2003 to 2030, with the intermediate years (FY 2006-2012) estimated by interpolation based on the actual Turnpike traffic for FY 2005.

Estimated FY 2006 Traffic and Toll Revenue

On the basis of the FY 2005 results, the data for FY 2006 through September 2005, and the impact of the October 1, 2005 toll increase (see Table 8), URS estimates that Delaware Turnpike toll revenues for the full FY 2006 will amount to \$84,688,000, as estimated in Table 11:

Table 11
I-95/Delaware Turnpike Estimated Traffic and Toll Revenues, FY 2006

Months	Transactions			FY 2006 Toll Revenue	
	Growth Rate	Volume (000)		Avg. per Vehicle	Amount (000)
		FY 2005 ^(A)	FY 2006		
July-Sept.	-1.6% ^(A)	7,885	7,762 ^(A)	\$2.051 ^(A)	\$15,923 ^(A)
Oct.-June	-2.1 ^(B)	20,526	20,095 ^(B)	3.422 ^(B)	68,765 ^(B)
Total		28,411	27,857 ^(C)	3.040 ^(D)	84,688 ^(C)

(A) Actual.

(B) Estimated, taking into account the October 1, 2005 toll increase.

(C) Calculated from the actual and estimated components.

(D) \$84,688,000 ÷ 27,857,000.

Traffic and Revenue Forecast, FY 2006-2012

On the basis of its historical performance, again the impact of the October 1, 2005 toll increase, and the growth and network factors from the Peninsula Model, URS developed the forecast of Turnpike traffic, toll revenue and concession revenue through 2012, as summarized in Table 12:

Table 12
I-95/Delaware Turnpike Traffic and Revenue Forecast, FY 2006-2012

Fiscal Year	Annual Transactions		Toll Revenue		Concession Revenue		Total Revenue (000)
	Volume (000)	Percent Change	Amount (000)	Avg. per Vehicle	Amount (000)	Avg. per Vehicle	
2006	27,857	—	\$84,688	\$3.040 ^(C)	\$2,396	\$.086 ^(E)	\$87,084
2007	28,358	+1.8% ^(A)	97,041	3.442 ^(C)	2,439	.086 ^(E)	99,480
2008	28,925	+2.0 ^(B)	98,924	3.420 ^(D)	2,488	.086 ^(E)	101,412
2009	29,504	+2.0 ^(B)	100,756	3.415 ^(D)	2,537	.086 ^(E)	103,293
2010	30,094	+2.0 ^(B)	102,621	3.410 ^(D)	2,588	.086 ^(E)	105,209
2011	30,696	+2.0 ^(B)	104,520	3.405 ^(D)	2,640	.086 ^(E)	107,160
2012	31,310	+2.0 ^(B)	106,454	3.400 ^(D)	2,693	.086 ^(E)	109,147

(A) Annual model growth and residual impact of October 1, 2005 toll increase.

(B) Annual model growth.

(C) From Table 11.

(D) Token reduction in average toll assumes some shifting of trucks to nighttime hours.

(E) Average rate since 1993; see Table 3 (page E-6) and following text on page E-7.

The toll revenue forecast is based on the continuation of the toll schedule implemented on October 1, 2005 throughout the forecast period. Likewise, the concession revenue forecast is based on the continuation of the Exxon, Sunoco and Marriott contracts beyond their current

expiration dates of March 2007, September 2008 and June 2008, respectively. The average per-vehicle rate of 8.6 cents (for the 1993-2005 period) was selected (conservatively) for the concession revenue forecast, even though the rate was 9.1 cents in FY 2005 (see Table 3).

SR 1 TOLL ROAD

The SR 1 corridor extends approximately 100 miles, nearly the full length of the state, from the I-95/Delaware Turnpike in New Castle County southward to the Maryland state line (at Fenwick Island in Sussex County) on the approach to Ocean City. The highway within the corridor has three distinct components:

- < The six-mile freeway section from the Delaware Turnpike to the junction with the US 13 at Tybouts;
- < The 41-mile toll road section from Tybouts to the junction with US 113 south of Dover Air Force Base; and
- < The approximately 50-mile at-grade divided arterial section (except for the freeway bypass of Milford) from Dover AFB to the Maryland line.

It is the middle segment that is the SR 1 Toll Road.

Transportation Infrastructure in Delaware's North-South Corridor

Until the openings of the freeway and toll road sections between the Turnpike and Dover, US 13 was essentially the only direct arterial route down the middle of the state (straight through the congested portions of Odessa, Smyrna and Dover), serving both inter-city traffic and local traffic within each community. There was no room to significantly increase its capacity, and levels of service were already intolerable, especially on summer weekends. The solution was a new expressway on separate right-of-way, with toll financing for the middle section. This section, the SR 1 Toll Road, is the highway "spine" of the north-south corridor. It consists of two lanes in each direction with room for expansion to three lanes in each direction.

The SR 1 Toll Road, from Tybouts to US 113 south of Dover AFB, was constructed in stages over a period of 10 years:

- < The first (southern) section that was opened to traffic was the 17 miles from US 13 north of Smyrna to US 113 south of Dover, in December 1993. This section, which provides a bypass of both Dover and Smyrna, contains one main-line toll plaza (the Dover plaza)

and tolls on the northerly interchange ramps at Denney's Road (Dover-north) and Smyrna-south.

- < The next (northern) section that was opened, in December 1995, was the five miles from the existing freeway section at Tybouts, over the C&D Canal to a temporary tie-in to US 13 (at that time) south of the canal. No tolls were collected on this section of the SR 1 Toll Road while the temporary tie-in was still in operation
- < The two-mile extension from the temporary southern terminus south of Dover (north of Dover AFB) to south of Dover AFB was opened to traffic in January 1999. No additional tolls are collected in this section, because traffic on the extension funnels through the Dover plaza.
- < The northern section of the SR 1 Toll Road was extended another nine miles in November 1999, from just south of the Chesapeake and Delaware (C&D) Canal, bypassing Odessa and tying back into US 13 south of Odessa. This section has a main-line toll plaza (the Biddles plaza) two miles south of the canal and tolls on the southerly interchange ramps at SR 896 (Boyd's Corner). West of Odessa (on the bypass), an interchange is provided at SR 299, where the southerly ramps are currently toll-free. A toll-free outlet is provided just south of the canal (as was provided previously via the tie-in to US 13) at Road 412, allowing motorists to use the canal bridge without paying a toll; the Biddles plaza is located south of Road 412. (The Road 412 ramps are also known as the Scott Run ramps.)
- < The Puncheon Run Connector, a two-mile spur connecting SR 1 with US 13 south of Dover, was opened to traffic in December 2000. While there is no toll collection on the "spur" itself, the Connector has induced greater usage of the SR 1 "stem" through the Dover plaza.
- < The last section, the seven-mile gap between Smyrna-north and Odessa-south, was opened in May 2003, completing the 41-mile toll road.

The SR 1 Toll Road, as mentioned previously, provides the key link in Delaware's north-south corridor, with some 15 interchanges serving local as well as thru travel between Tybouts and Dover. US 13 remains in service for local traffic within and between the cities that are bypassed by SR 1. However, it is estimated that, since US 13 is the main arterial street through Dover, Smyrna, and Odessa, with its shopping malls and strip development, most of the traffic growth in the corridor has and will occur on SR 1.

The north-south corridor is also served, marginally, by three other routes that cross the C&D Canal: SR 9 to the east and SR 896-71/US 301 (via the Summit Bridge) to the west, as well as SR 213 in Maryland. None of these routes is a significant competitor to SR 1; in fact, SR 71 merges back into US 13 at Blackbird, midway between Odessa and Smyrna.

Toll Collection

The barrier/ramp setup on SR 1 includes a combination of two mainline plazas—Biddles near the north end and Dover near the south end; and three sets of ramp tolls in between the two mainline plazas—SR 896/Boyd's Corner (to/from south), Smyrna/south (to/from north), and Denney's Road/north Dover (to/from north). The present cash tolls (collected in each direction) at these five toll locations are listed in Table 13:

Table 13
SR 1 Cash Tolls

Vehicle Class	Biddles, Dover Plazas	Ramps	
		Boyd's, Denney's	Smyrna
2-Axle	\$1.00	\$0.50	\$0.25
3-Axle	2.00	1.00	0.50
4-Axle	3.00	1.50	0.75
5-Axle	4.00	2.00	1.00
6-Axle	5.00	2.50	1.25
Permit	10.00	10.00	10.00

A schematic diagram of the SR 1 toll collection plan is shown on page E-18.

As mentioned previously, unlike the Turnpike, no toll changes are scheduled on SR 1.

With the implementation of *E-ZPass* on SR 1 in April 1999, DelDOT established a system that allows for the per-mile tolling of *E-ZPass* users through transponder detection at all entry/exit points instead of only at the toll plaza/toll ramp location. Under this system, DelDOT offers a toll discount program that provides a 50 percent discount off the cash tolls for two-axle vehicles using *E-ZPass* on SR 1 for 30 or more trips during a 30-day period. A trip is defined in which a toll is charged against a customer's account, regardless of entry and exit. These adjustments are made through the toll calculation process at the Customer Service Center. A 15 percent discount is offered for those motorists who make less than 30 trips in 30 days. The frequency-of-use provision only applies to non-commercial two-axle vehicles; vehicles of three or more axles are given the 50 percent discount without having to make a minimum number of trips.

For the full-length, 41-mile trip, the two-axle toll rate for cash-payers is 4.9 cents per mile. The rate for some shorter trips is higher, depending on the entry-exit locations.

For *E-ZPass* users, the full-length frequency-based two-axle rate is 2.4 cents per mile, and the non-frequency-based rate is 4.1 cents per mile. It is these per-mile rates that determine the entry/exit tolls for the shorter trips. The *E-ZPass* rates for trucks are similarly constructed; so, for



SR 1 Toll Collection Plan Schematic

[Shown separately in draft versions.]

example, while the five-axle truck making a full-length trip pays 10.5 cents per mile, with *E-ZPass* the rate is 9.8 cents per mile.

As shown in the schematic diagram, motorists can use the SR 1 Toll Road between Tybouts and Road 412 (just south of the C&D Canal) without paying toll, due to the toll-free outlet (southbound exit and northbound entry ramps) at Road 412 and its connection back to US 13. One other toll-free outlet is provided at SR 299 west of Odessa, a leftover vestige from before the middle nine-mile gap between Odessa and Smyrna was completed. While both of these outlets allow for traffic diversions, the traffic and revenue record of SR 1 already accounts for these diversions; i.e., they are an accomplished fact.

Historical Growth of Traffic and Toll Revenue

With the opening of the SR 1 Toll Road in December 1993, the Authority now has a 12-year record of traffic and revenue growth. This record is summarized in Table 14:

Table 14
SR 1 Traffic and Revenue, FY 1994-2005

Fiscal Year	Annual Transactions ^(A)		Toll Revenue	
	Volume (000)	Percent Change	Amount (000)	Avg. per Vehicle
1994	2,451 ^(B)	—	\$2,335	\$.953
1995	6,250	+166.0%	6,400	.982
1996	7,517	+15.3	7,438	.989
1997	8,496	+13.0	8,412	.990
1998	9,279	+9.2	9,160	.987
1999	9,668	+4.2	9,689	1.002
2000	16,444 ^(C)	+70.1	16,587	1.009
2001	23,408 ^(D)	+42.4	22,704	.970
2002	26,742	+14.2	25,398	.950
2003	28,650 ^(E)	+7.1	26,666	.931
2004	32,269	+12.6	29,088	.901
2005	35,304	+9.4	30,656	.868

(A) Main-line and ramp plazas combined.

(B) Smyrna-Dover section (including Dover plaza) opened December 1993.

(C) Canal-Odessa section (including Biddles plaza) opened November 1999.

(D) Puncheon Run Connector opened December 2000.

(E) Odessa-Smyrna section opened in May 2003

The 166 percent increase in FY 1995 was the result of SR 1's partial year's operation in FY 1994. The double-digit growth in FY 1997 and FY 1998 can be attributed to ramp-up that continued in FY 1999. Then, in November 1999, the Canal-Odesa section (including the Biddles plaza) opened, followed by the Puncheon Run Connector in December 2000. Combined, these additions produced a 177 percent increase in traffic between FY 1999 and FY 2002 — the Biddles plaza doubling the number of main-line plazas, and the Puncheon Run Connector feeding additional traffic (to/from US 13/south) through the Dover plaza.

Also note that, while the average revenue per vehicle (i.e., the average toll) increased from \$0.953 to \$1.009 between FY 1994 and FY 2000 as longer trips on SR 1 increased along with the new roadway sections that were added, the average toll has tapered down to \$.868 in FY 2005 with the increase in *E-ZPass* usage (at its discounted rate).

Also of significance is the comparison of SR 1 and US 13 traffic in Delaware's north-south corridor. The one place where continuous (permanent count station) counts have been available on US 13 is in the urban area of Dover (near Dover Downs), which forms a screenline with SR 1 at the Dover toll plaza. On this screenline, SR 1 traffic has increased from 14 percent of the screenline total in 1994 to 38 percent in 2003. Recognizing that a large volume of the US 13 traffic in Dover is comprised of purely local trips, the 38 percent share is substantial; and the percentage is expected to increase in the future due to capacity limitations on US 13.

With the introduction of *E-ZPass* on SR 1 in April 1999, the *E-ZPass* market share increased from 19 percent in FY 2000 to 56 percent in FY 2005. Table 15 lists the cash versus *E-ZPass* results for FY 2005:

Table 15
SR 1 Cash vs. E-ZPass Results, FY 2005

Vehicle Group	Annual Transactions*		Toll Revenue*		Average Toll Per Vehicle
	Volume (000)	Percent of Total	Amount (000)	Percent of Total	
Cash	15,615	44.2%	\$15,773	51.5%	\$1.010
<i>E-ZPass</i>	19,689	55.8	14,883	48.5	.756
Total	35,304	100.0	30,656	100.0	.868

*Two-axle and multi-axle vehicles combined, and all main-line and ramp plazas combined.

While Table 15 disaggregates the traffic and revenue results for FY 2005 by vehicle group (cash versus *E-ZPass*), Table 16 disaggregates the FY 2005 results by plaza — mainline versus ramps:

Table 16
SR 1 Traffic and Revenue by Plaza, FY 2005

Plaza	Annual Transactions ^(A)		Toll Revenue ^(A)		Average Toll Per Vehicle
	Volume (000)	Percent of Total	Amount (000)	Percent of Total	
Main Line					
Dover	11,968	33.9%	\$12,094	39.5%	\$1.011
Biddles	15,707	44.5	15,829	51.6	1.008
Subtotal	27,675	78.4	27,923	91.1	1.009
Ramps					
Denney's	4,186 ^(B)	11.9	1,634	5.3	.390
Smyrna	1,526	4.3	226	0.7	.148
Boyd's	1,917	5.4	873	2.9	.455
Subtotal	7,629	21.6	2,733	8.9	.358
Total	35,304	100.0	30,656	100.0	.868

(A) Two-axle and multi-axle vehicles combined, and cash plus *E-ZPass* combined.

(B) Contains 558,000 duplicate transactions also counted at the Dover plaza, due to the cash toll credit setup between the Denney's Road ramps to/from the south and the Dover plaza. There is no duplication with respect to revenue.

The FY 2005 results indicate that the two main-line plazas handle, by far, most of the traffic (80 percent of the traffic, 91 percent of the revenue). The data also show that the Biddles plaza is the busier of the two main-line plazas, because a significant volume of Dover-Wilmington traffic uses the Denney's Road ramps at the southern end.

The monthly traffic variations, in aggregate, along SR 1 are listed in Table 17:

Table 17
SR 1 Monthly Traffic, FY 2005

Month	Monthly Transactions		Average Daily Traffic	
	Volume (000)	Percent of Total	Volume	Ratio to Avg. Month
July 2004	3,641	10.3%	117,452	1.21
August	3,616	10.3	116,645	1.21
September	3,054	8.7	101,800	1.05
October	2,865	8.1	92,419	.96
November	2,686	7.6	86,645	.90
December	2,623	7.4	84,613	.87
January 2005	2,249	6.4	72,548	.75
February	2,235	6.3	79,821	.83
March	2,720	7.7	87,742	.91
April	2,820	8.0	94,000	.91
May	3,252	9.2	104,903	1.08
June	3,543	10.0	118,100	1.22
Total	35,304	100.0	96,723	1.00

The average daily toll transactions ranged from a low of 25 percent below the annual average in January to a high of 21 percent above the average in July, the peak month for recreational travel on SR 1 in FY 2005. April was the closest month to the annual average. The variability also takes into account the fact that US 13 is congested during the summer months, resulting in “spillover” to SR 1, but not so (except for commuting hours) during the remainder of the year.

As with the Turnpike, SR 1 traffic and revenue data are available for the first three months of FY 2006 through September 2005. Table 18 summarizes the data relative to the corresponding traffic and revenue in FY 2005:

Table 18
SR 1 Traffic and Revenue, FY 2005-2006 through September*

July- September of FY	Transactions		Toll Revenue	
	Volume (000)	Percent Change	Amount (000)	Avg. per Vehicle
2005	10,312	—	\$9,194	\$.892
2006	10,995	+6.6%	9,683	.881

* July 2005 through September 2005 versus July 2004 through September 2004.

SR 1 traffic during the first three months of FY 2006 was up 6.6 percent, with the average toll down from \$.892 to \$.881 resulting from the increasing *E-ZPass* market share. Unlike the Turnpike, SR 1 traffic continues to increase at a substantial rate.

Factors Affecting SR 1 Traffic Growth

Unlike the Delaware Turnpike, which carries (through the Newark toll plaza) mostly interstate traffic in the Northeast Corridor, SR 1 serves mostly Delaware traffic and those motorists bound for the Delaware-Maryland shore in the summer. Accordingly, it is the projected population of Delaware that will sustain the future levels of SR 1 traffic. Table 19 lists the historical and projected population of Delaware's three counties:

Table 19
Delaware Population

Year	Population (000)				Average Annual Growth
	New Castle	Kent	Sussex	Total	
1980	398	98	98	594	—
1990	442	110	113	665	1.1%
2000	502	127	157	786	1.7
2005	524	141	176	841	1.3
2010	544	150	194	888	1.1
2015	562	159	211	932	1.0

Source: Delaware Population Consortium.

Locally, from a network perspective, the principal toll-free routes that run parallel to SR 1 in the corridor — US 13, and several miles to the west, SR 896/71 over the canal's Summit Bridge — are an accomplished fact. While improvements are continually being made to the highway system, none are expected to have a significant impact on the established traffic patterns.

As with the Delaware Turnpike, the population forecast in Table 19 and the network improvements in the SR 1 corridor were inputted in DelDOT's Peninsula Model for the purpose of developing the traffic and revenue forecasts for SR 1. Again, URS ran the model for 2003 and 2030 without any modification in the model's growth forecast, with the intermediate years (FY 2006-2012) estimated by interpolation based on the actual SR 1 traffic for FY 2005.

Estimated FY 2006 Traffic and Toll Revenue

On the basis of the FY 2005 results and the data for FY 2006 through September 2005, URS estimates that SR 1 toll revenues for the full FY 2006 will amount to \$32,994,000, as follows:

Table 20
SR 1 Estimated Traffic and Revenue, FY 2006

Months	Transactions			FY 2006 Toll Revenue	
	Percent Change	Volume (000)		Avg. per Vehicle	Amount (000)
		FY 2005 ^(A)	FY 2006		
July-Sept.	+6.6% ^(A)	10,312	10,995 ^(A)	\$.881 ^(A)	\$ 9,683 ^(A)
Oct.-June.	+6.6 ^(B)	24,992	2,641 ^(B)	.875 ^(C)	23,311 ^(B)
Total		35,304	37,636 ^(D)	.877 ^(E)	32,994 ^(D)

(A) Actual.

(B) Estimated.

(C) Estimated, based on blended average toll in FY 2006 (July-September) of \$.881 and FY 2005 (12-month) average toll of \$.868.

(D) Calculated from the actual and estimated components.

(E) \$32,994,000 ÷ 37,636,000.

The \$32,994,000 estimate for FY 2006 represents a 7.6 percent increase over the \$30,656,000 collected in FY 2005.

Traffic and Revenue Forecast, FY 2006-2012

On the basis of its historical performance, the growth and network factors from the Peninsula Model, and the increasing share of US 13/SR 1 corridor traffic expected to use SR 1, URS developed the forecast of SR 1 traffic and revenue through 2012. As mentioned previously, the forecast is based on the continuation of the current toll schedule on SR 1 during the forecast period, which means that the tolls become less of an impediment (i.e., more affordable) to motorists and truckers over time (due to the inflationary trends associated with personal and business incomes). Table 21 summarizes the forecast:

Table 21
SR 1 Traffic and Revenue Forecast, FY 2006-2012

Fiscal Year	Annual Transactions ^(A)		Toll Revenue	
	Volume (000)	Percent Change	Amount (000)	Avg. per Vehicle ^(B)
2006	37,636	—	\$32,994	.877
2007	39,555	5.1%	34,334	.868
2008	41,493	4.9	35,684	.860
2009	43,443	4.7	37,057	.853
2010	45,398	4.5	38,407	.846
2011	47,350	4.3	39,727	.839
2012	49,291	4.1	41,010	.832

(A) Main-line and ramp plazas combined.

(B) Sliding average toll based on continuing increase in *E-ZPass* participation, which stood at 55.8 percent in FY 2005 (Table 15). For estimating purposes, the 2012 *E-ZPass* participation is estimated to be 70 percent.

COMBINED TOLL ROAD PROJECTS

Finally, the revenue forecasts for the I-95/Delaware Turnpike and the SR 1 Toll Road were combined in this concluding section of the report.

Summary of Assumptions

Following is the list of assumptions upon which the revenue forecasts for the Delaware Turnpike and SR 1 Toll Road were based:

- < Continuation of the Delaware Turnpike and SR 1 toll schedules throughout the forecast period. The new Turnpike toll schedule, implemented on October 1, 2005, is shown in Table 1 of the report, with clarifications with respect to discounted truck tolls preceding Table 1 on page E-3.
- < Contractual arrangements with the Turnpike restaurant and service station concessionaires continue at the presently negotiated levels.
- < The US 13/St. Georges Bridge, which crosses the C&D canal adjacent to the SR 1 bridge, will remain open during the forecast period, as will the SR 1 toll-free outlets at Road 412 and SR 299.

- < During the forecast period, no competing limited-access, toll-free facility will be constructed in the Delaware Turnpike or SR 1 corridors. If the US 301 Connector project is built and opened to traffic by 2010 (see page E-12), it will be financed as a toll project.
- < The Delaware Turnpike and SR 1 Toll Road will be effectively signed and maintained to encourage maximum usage.
- < Land development and travel patterns will generally follow the population forecasts discussed with respect to Tables 10 and 19 and the output of DelDOT's Peninsula Model.
- < Motor fuel will remain in adequate supply during the forecast period.
- < No radical change in travel modes, which would drastically curtail motor vehicle use, is expected during the forecast period.
- < In the long term, generally normal economic conditions will prevail in Delaware and the United States, and there will not occur a major depression, national emergency or prolonged fuel shortage.

As for the projections themselves, while they are stated year-by-year, they are intended to show the trends that may reasonably be anticipated on the basis of the above assumptions.

Combined Revenue Forecast, FY 2006-2012

The revenue forecasts for the Delaware Turnpike (from Table 12) and the SR 1 Toll Road (from Table 21) were then combined, as shown below:

Table 22
Combined I-95/Delaware Turnpike and SR 1 Revenue Forecast, FY 2006-2012

Fiscal Year	Delaware Turnpike			SR 1 Toll Revenue (000)	Combined Revenue (000)
	Toll Revenue (000)	Concession Revenue (000)	Total (000)		
2006	\$ 84,688	\$2,396	\$ 87,084	\$32,994	\$120,078
2007	97,041	2,439	99,480	34,334	133,814
2008	98,924	2,488	101,412	35,684	137,096
2009	100,756	2,537	103,293	37,057	140,350
2010	102,621	2,588	105,209	38,407	143,616
2011	104,520	2,640	107,160	39,727	146,887
2012	106,454	2,693	109,147	41,010	150,157



In conclusion, it is our opinion that the revenue projections are reasonable and that they have been prepared in accordance with accepted practice for investment-grade studies. However, given the uncertainties within the current international and economic climate, URS and DelDOT have agreed that:

- < The revenue forecast in Table 22 present the results of our consideration of the information available to us as of the date hereof and the application of our experience and professional judgment to that information. It is not a guarantee of any future events or trends.
- < The traffic and revenue forecasts will be subject to future economic and demographic trends in Delaware and the Northeast Corridor that cannot be predicted with certainty.
- < The projections contained in this report, while presented with numerical specificity, are based on a number of estimates and assumptions that, though considered reasonable to us, are inherently subject to significant economic and competitive uncertainties and contingencies, many of which will be beyond our control. In many instances, a broad range of alternative assumptions could be considered reasonable. Changes in the assumptions used could result in material differences in projected outcomes.
- < If, for any reason, any of these conditions should change due to changes in the economy or competitive environment, or other factors, URS' opinions or estimates may require amendment or further adjustments.

The report contains forward-looking statements, revenue projections, and statements of opinion based upon certain information. These forward-looking and opinions statements and projections include statements relating to preexisting conditions not caused or created by URS Corporation and external conditions beyond our control. We believe that our expectations are reasonable and are based on reasonable assumptions. However, such forward-looking statements, projections and opinions, by their nature involve risks and uncertainties beyond our control. We caution that a variety of factors could cause the actual revenue associated with the Delaware Turnpike and SR 1 Toll Road to differ from that expressed or implied in this document. We assume no obligation with respect to the differences between this document and the actual performance of the two toll facilities. This document was prepared solely for the use of DelDOT that commissioned it and the Delaware Transportation Authority that will issue the 2005 Series Bonds. It may only be relied upon by third parties at their own risk. Under no circumstance will URS Corporation be liable to third parties for claims or damage arising out of this document unless expressly agreed between the third party and URS. Any unauthorized use of this document is at the user's sole risk.



We acknowledge with thanks the cooperation of the DelDOT staff during the course of this study.

Respectfully,

URS CORPORATION

A handwritten signature in black ink, which appears to read "Arthur H. Goldberg". The signature is fluid and cursive, written over the printed name.

Arthur H. Goldberg, PE
Vice President

AHG: lah

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APPENDIX F

Specimen Copy of Municipal Bond
New Issue Insurance Policy

BOND INSURANCE

Financial Guaranty has supplied the following information for inclusion in this Official Statement. No representation is made by the issuer or the underwriter as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Insured 2005 Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the 2005 Bonds maturing from July 1, 2009 to July 1, 2021, inclusive (the "Insured 2005 Bonds"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Insured 2005 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Insured 2005 Bonds (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Insured 2005 Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Insured 2005 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of an Insured 2005 Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of an Insured 2005 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or accreted value, if applicable) of the Insured 2005 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, if any, and not on any other date on which the Insured 2005 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Insured 2005 Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Insured 2005 Bond, appurtenant coupon or right to payment of principal or interest on such Insured 2005 Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure the Insured 2005 Bonds, Financial Guaranty may be granted certain rights under the Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Insured 2005 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond New Issue Insurance Policy

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.



Authorized Officer